

FEDERAL ACTUARIAL MEMORANDUM

1. General Information

- Company Identifying Information

Company Legal Name:	Anthem Health Plans of Kentucky, Inc.
State:	Kentucky
HIOS Issuer ID:	36239
NAIC Company Code:	95120
Market:	Individual
Effective Date:	January 1, 2021

- Company Contact Information

Primary Contact Name:	Craig Allen
Primary Contact Telephone Number:	[REDACTED]
Primary Contact Email Address:	[REDACTED]

2. Scope and Purpose of the Filing

This is a rate filing for the Individual market ACA-compliant plans offered by Anthem Health Plans of Kentucky, Inc. , also referred to as Anthem. The policy forms associated with these plans are listed below. The proposed rates in this filing will be effective for the 2021 plan year beginning January 1, 2021, and apply to plans both On-Exchange and Off-Exchange.

The rates and rating assumptions including trend, morbidity, and benefit adjustments proposed in this submission reflect an estimate of the claims cost impact of the current COVID-19 outbreak, economic impacts, and expected membership migration across markets as well as the regulatory framework and insurer participation in the market as of August 3, 2020. To the extent emerging data shows COVID-19 testing and treatment are impacting costs significantly different than assumed in this filing, or if there are changes in regulation or insurer participation, then proposed rates may no longer be appropriate and should be reevaluated for revision and resubmission. This rate filing is not intended to be used for other purposes.

Policy Form Number(s):	KY_OFFHIX_HM_01-21 KY_ONHIX_HM_01-21
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3. Proposed Rate Increase(s)

The proposed rates have been developed from 2019 ACA experience.

The proposed annual rate changes by product in this filing is 5.69%, with rate changes by plan from (0.53%) to 9.77%. These ranges are based on the renewing plans, and are consistent with what is reported in the Unified Rate Review Template. Exhibit A shows the rate change for each plan.

Factors that affect the rate changes for all plans include:

- Emerging experience different than projected.
- Trend: This includes the impact of inflation, provider contracting changes, and changes in utilization of services.
- Morbidity: There are anticipated changes in the market-wide morbidity of the covered population in the projection period.
- Changes in anticipated risk adjustment transfer dollars in the projection period.
- Benefit modifications, including changes made to comply with updated AV requirements.

- Changes in taxes, fees, and some non-benefit expenses, including the discontinuance of the Health Insurer Tax in 2021 and reinstatement of PCORI in 2021.

Although rates are based on the same claims experience, the rate changes vary by plan due to the following factors:

- Changes in benefit design that vary by plan.
- Updates in benefit relativity factors among plans.
- Updated adjustment factors for catastrophic plans.
- Changes in the claim cost relativity by area and network.

4. Experience and Current Period Premium, Claims, and Enrollment

The experience period premium and claims reported in Worksheet 1, Section I of the Unified Rate Review Template (URRT) are for the non-grandfathered, single risk pool compliant policies of the identified legal entity in the Individual market.

- Paid Through Date

The experience reported in Worksheet 1, Section I of the URRT reflects the incurred claims from January 1, 2019 through December 31, 2019 based on claims paid through February 29, 2020.

- Current Date

The Current Date for Current Enrollment and Current Premium PMPM in Worksheet 2, Section II of the URRT is April 30, 2020.

- Experience Period Premium

[REDACTED]

[REDACTED]

[REDACTED], the net earned premium is \$371,728,035 for the legal entity as reported in cell E18 of Worksheet 1, Section I of the URRT.

- Allowed and Incurred Claims Incurred During the Experience Period

The allowed claims are determined by subtracting non-covered benefits, provider discounts, and coordination of benefits amounts from the billed amount.

Allowed and incurred claims are completed using the chain ladder method, an industry standard, by using historic paid vs. incurred claims patterns. The method calculates historic completion percentages, representing the percent of cumulative claims paid of the ultimate incurred amounts for each lag month. Claim backlog files are reviewed on a monthly basis and are accounted for in the historical completion factor estimates.

Allowed and incurred claims reported in Worksheet 1, Section I of the URRT are \$339,283,494 and \$265,744,569, respectively. These amounts differ from those shown in Exhibit B due to the URRT including Rx Rebates and transitional plan experience.

5. Benefit Categories

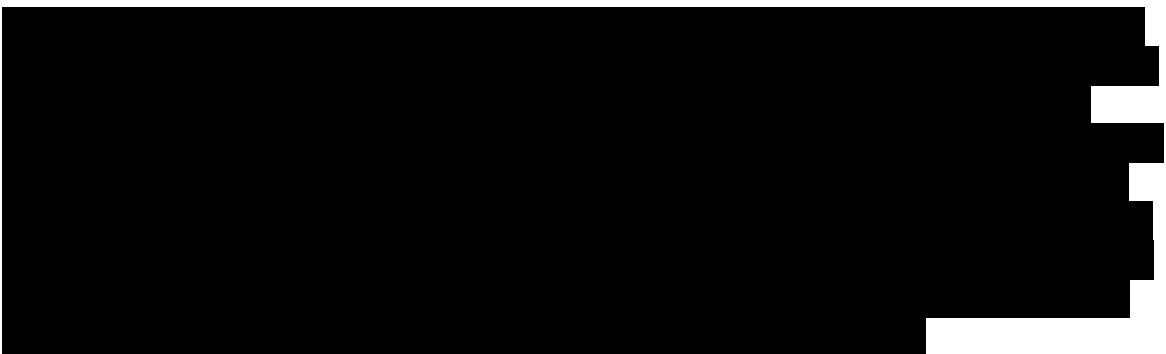
The methodology used to determine benefit categories in Worksheet 1, Section II of the URRT is as follows:

- Inpatient Hospital: Includes non-capitated facility services for medical, surgical, maternity, mental health and substance abuse, skilled nursing, and other services provided in an inpatient facility setting and billed by the facility.
- Outpatient Hospital: Includes non-capitated facility services for surgery, emergency room, lab, radiology, therapy, observation and other services provided in an outpatient facility setting and billed by the facility.
- Professional: Includes non-capitated primary care, specialist, therapy, the professional component of laboratory and radiology, and other professional services, other than hospital-based professionals whose payments are included in facility fees.
- Other Medical: Includes non-capitated ambulance, home health care, DME, prosthetics, supplies, vision exams, and dental services.
- Capitation: Includes all services provided under one or more capitated arrangements.
- Prescription Drug: Includes drugs dispensed by a pharmacy and rebates received from drug manufacturers.

6. Projection Factors

The experience period claims in Worksheet 1, Section I of the URRT are projected to the projection period using the factors described below. Exhibit C provides a summary of the factors.

- Trend Factors (cost/utilization)

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- Morbidity Adjustment

Adjustments are made to account for the differences between the average morbidity of the experience period population and that of the anticipated population in the projection period.

The projected population consists of expected retention of existing policies and new sales. The sources of new entrants include the previously uninsured population, grandfathered and transitional policies voluntarily migrating to ACA-compliant plans, and previously insured populations from other markets or carriers. The morbidity adjustment reflects projected Anthem and market changes in morbidity. Prior experience has exhibited market shrinkage and morbidity increases year over year. With anticipated growing market volatility, the expectation is that selective lapse and market deterioration will continue in 2021 due to increased selective entry and exit as members make health care decisions in the guaranteed issue, community rated ACA marketplace. We assume that this typical market deterioration pattern will be more pronounced in 2021 due to uncertain economic conditions, loss of group coverage and income loss. We assume that this selective shifting into and out of the individual market will lead to a 3.6% increase in morbidity. The morbidity also includes a 2.6% single year addition to reflect the 2021 rebound of elective procedures deferred in 2020 during the COVID-19 pandemic. Exhibit E shows the morbidity factor.

- Changes in Demographics (Normalization)

The experience period claims are normalized to reflect anticipated changes in age/gender, area, network, and benefit plan in the projection period. Exhibit D provides detail of each normalization factor below:

- Age/Gender: The assumed claims cost is applied by age and gender to the experience period membership distribution and the projection period membership distribution.
- Area/Network: The area claims factors are developed based on an analysis of allowed claims by network, mapped to the prescribed rating areas using the subscriber's 5-digit zip code.
- Benefit Plan: The experience period claims are normalized to reflect the average benefit level in the projection period using benefit relativities. The benefit relativities include the value of cost shares and anticipated changes in utilization due to the difference in average cost share requirements.

- Plan Design Changes

Changes in benefits include the following items. Exhibit E shows each adjustment factor.

- Rx Adjustments: Adjustments are made to reflect differences in the Rx formulary between the experience period and the projection period.

- Other Adjustments

Other adjustments to the experience claims data include the following items. Exhibit E and Exhibit F show the factors used for each adjustment.

- Induced Demand Due to Cost Share Reductions: Individuals who fall below 250% of the Federal Poverty Level and enroll in On-Exchange silver plans will be eligible for cost share reductions. The percentage of enrollment in CSR Plans in the experience period is compared to that of the projection period to adjust for the different induced demand level due to CSR between the two periods.
- Grace Period: The claims experience has been adjusted to account for incidences of enrollees not paying premiums due during the first month of the 90-day grace period when the QHP is liable for paying claims.
- Rx Rebates: The projected claims cost is adjusted to reflect anticipated Rx rebates. These projections take into account the most up-to-date information regarding anticipated rebate contracts, drug prices, anticipated price inflation, and upcoming patent expirations.
- Projected costs of pediatric dental and vision benefits are included.

Transitional product experience has been included in Worksheet 1, Section I of the URRT, in compliance with URR Instructions. In Exhibit C, transitional policies are not included in the starting claims PMPM as they are not expected to be enrolled in fully ACA-compliant plans during the projection period.

7. Manual Rate Adjustments

The experience period claims are 100% credible based on the credibility method used. Therefore, a manual rate was not used in the rate development.

8. Credibility of Experience

- Credibility Method Used

Based on an analysis of historical data, the standard for fully credible experience is 13,329 members.

To determine credibility, the following formula was used: $\sqrt{\text{experience period members} / 13,329}$

- Resulting Credibility Level Assigned to Base Period Experience

With 43,853 members, the credibility level assigned to the experience period claims is 100%.

9. Establishing the Index Rate

- Experience Period Index Rate

The experience period Index Rate is equal to the allowed claims PMPM for the essential health benefits of Anthem's non-grandfathered business in the Individual market. The experience period Index Rate is \$486.15. Due to rounding restrictions in the URRT, the experience period Index Rate displayed in Worksheet 1, Section II of the URRT may be slightly different from this number. A comparison to the benchmark was performed, and only essential health benefits were covered during the experience period.

- Projection Period Index Rate

The projection period Index Rate is equal to projected allowed claims PMPM for the essential health benefits of Anthem's non-grandfathered business in the Individual market. It reflects the anticipated claim level of the projection period including impact from trend, benefit and demographics as described in Section 6 of this memo.

The projected Index Rate is reported in Worksheet 1, Section II, cell F42 of the URRT and is also shown in Exhibit C. Note there are minor variances between the projection period Index Rate in the URRT and Actuarial Memorandum due to rounding methodology in the URRT. No benefits in excess of the essential health benefits have been included in this amount.

10. Development of the Market-wide Adjusted Index Rate

The Market-wide Adjusted Index Rate is calculated as the Index Rate adjusted for all allowable market-wide modifiers defined in the market rating rules. The three market-wide adjustments - Risk Adjustment, Reinsurance, and Exchange User Fee adjustment - are described below. In compliance with URR Instructions, these adjustments were applied on an allowed basis in the development of the Market-wide Adjusted Index Rate. Exhibit C illustrates the development of the Market-wide Adjusted Index Rate. Note that there are minor variances between the Market-wide Adjusted Index Rate in the URRT and Actuarial Memorandum due to rounding methodology in the URRT.

- Projected Risk Adjustments PMPM

Projection period risk adjustments are estimated based on the HHS payment transfer formula. An independent consultant's study and CMS preliminary 2019 risk adjustment transfers are used to develop the assumptions for the company's relative risk to the market. Projected changes in population movements and demographics that may affect risk adjustments are also considered, as well as the impact of high-cost risk pooling.

The projected risk adjustment PMPMs reported in Worksheet 2 of the URRT are on a paid claim basis, while the projected amount applied to the development of Market-wide Adjusted Index Rate is on an allowed claim basis. Exhibit C and Exhibit G provide details.

- Projected ACA Reinsurance Recoveries Net of Reinsurance Premium

Beginning in 2017, the Federal reinsurance program is no longer in effect. The projected reinsurance amount is \$0.

- Exchange User Fees

Exchange User Fee: The Exchange User Fee applies to Exchange business only, but the cost is spread across all plans in the market. A blended fee/percentage is determined based on an assumed 92.6% of members that will purchase products On-Exchange. The resulting fee/percentage is applied evenly to all plans in the risk pool, both On and Off Exchange.

The Exchange User Fee is applied as an adjustment to the Market-wide Adjusted Index Rate at the market level as shown in Exhibit C.

11. Plan Adjusted Index Rate

The Plan Adjusted Index Rate is calculated as the Market-wide Adjusted Index Rate adjusted for all allowable plan level modifiers defined in the market rating rules. Exhibit J shows the development. The plan level modifiers are described below:

- AV and Cost Sharing Adjustments: This is a multiplicative factor that adjusts for the projected paid/allowed ratio of each plan, based on the AV metal value with an adjustment for utilization differences due to differences in cost sharing.
- Provider Network Adjustments: This is a multiplicative factor that adjusts for differences in projected claims cost due to different network discounts.
- Adjustments for Benefits in Addition to the Essential Health Benefits: A factor of 1.00 indicates that the plan does not provide benefits beyond the essential health benefits.
- Catastrophic Plan Adjustment: This adjustment reflects the projected costs of the population eligible for catastrophic plans. The catastrophic adjustment factor is applied to catastrophic plans only; all other plans have an adjustment factor of 1.0.
- Adjustments for Distribution and Administrative Cost: This is an additive adjustment that includes all the selling expense, administration and retention Items shown in Exhibit H, with the exception of the Exchange User Fee. The Exchange User Fee has been included in the Market-wide Adjusted Index Rate at the market level.

12. Calibration

The Plan Adjusted Index Rate is calibrated by the Age, Tobacco, and Geographic factors so that the schedule of premium rates for each plan can be further developed. Exhibit K shows the calibration factors.

- Age Curve Calibration

The age factors are based on the Default Federal Standard Age Curve. The age calibration adjustment is calculated as the member weighted average of the age factors, using the projected membership distribution by age, with an adjustment for the maximum of 3 child dependents under age 21. Under this methodology, the approximate average age rounded to the nearest whole number for the risk pool is 49.

- Tobacco Factor Calibration

The tobacco calibration adjustment is calculated as the member weighted average of the tobacco factors, using the projected membership distribution by age, with an adjustment for the maximum of 3 child dependents under age 21.

- Geographic Factor Calibration

The geographic factors are developed from historical claims experience. The geographic calibration adjustment is calculated as the member weighted average of the geographic factors, using the projected membership distribution by area.

13. Consumer Adjusted Premium Rate Development

The Consumer Adjusted Premium Rate is calculated by calibrating the Plan Adjusted Index Rate by the Age, Tobacco, and Geographic calibration factors described above, and applying consumer specific age, geographic and tobacco status rating factors. Exhibit N has the sample rate calculations.

14. Projected Loss Ratio

- Projected Federal MLR

Exhibit I shows the projected Federal MLR for the products in this filing. The calculation is an estimate and is not meant to be a true measure for Federal or State MLR rebate purposes. The products in this filing represent only a subset of Anthem's Individual business. The MLR for Anthem's entire book of Individual business will be compared to the minimum Federal benchmark for purposes of determining regulation-related premium refunds. Also note that the projected Federal MLR presented here does not capture all adjustments, including but not limited to: three-year averaging, credibility, dual option, and deductible. Anthem's projected MLR is expected to meet or exceed the minimum MLR standards at the market level after including all adjustments.

15. Actuarial Value Metal Values

The Actuarial Value (AV) Metal Values reported in Worksheet 2, Section I of the URRT are based on the AV Calculator. To the extent a component of the benefit design was not accommodated by an available input within the AV Calculator, the benefit characteristic was adjusted to be actuarially equivalent to an available input within the AV Calculator for purposes of utilizing the AV Calculator as the basis for the AV Metal Values. When applicable, benefits for plans that are not compatible with the parameters of the AV Calculator have been separately identified and documented in the Unique Plan Design Supporting Documentation and Justification that supports the Plan & Benefits Template.

16. Membership Projections

Membership projections are reported in Worksheet 2, Section IV of the URRT. They are based on historical and current enrollment, expected new sales and lapses, and anticipated voluntary movement from grandfathered and transitional policies.

For Silver level plans in the Individual market, the portion of projected membership that will be eligible for cost-sharing reduction subsidies at each subsidy level are estimated from the enrollment data in the experience period. Exhibit O provides projected distributions for each plan.

17. Terminated Plans and Products

Exhibit P provides a listing of products from 2019 and 2020 that will be terminated prior to January 1, 2021.

18. Plan Type

The plan type for each plan reported in Worksheet 2, Section I of the URRT is consistent with the option chosen from the drop-down box.

19. Reliance

In support of this rate development, various data and analyses were provided by other members of Anthem's actuarial staff, including data and analysis related to cost of care, valuation, and pricing. I have reviewed the data and analyses for reasonableness and consistency. I have also relied on John Baumann, FSA, MAAA to provide the actuarial certification for the Unique Plan Design Supporting Documentation and Justification for plans included in this filing.

20. Actuarial Certification

I, Craig Allen, am an actuary for Anthem. I am a member of the American Academy of Actuaries and a Fellow of the Society of Actuaries. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. I hereby certify that the following statements are true to the best of my knowledge with regards to this filing:

(1) The projected Index Rate is:

- In compliance with all applicable state and Federal statutes and regulations (45 CFR 156.80 and 147.102)
- Developed in compliance with the applicable Actuarial Standards of Practice
- Reasonable in relation to the benefits provided and the population anticipated to be covered

- Not excessive nor deficient

(2) The Index Rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 156.80(d)(2) were used to generate plan level rates.

(3) The geographic rating factors reflect differences in the costs of delivery (which can include unit cost and provider practice pattern differences) and do not include differences for population morbidity by geographic area.

(4) The most recent AV Calculator was used to determine the AV Metal Values shown in Worksheet 2 of the Part I Unified Rate Review Template for all plans. To the extent a component of the benefit design was not accommodated by an available input within the AV Calculator, the benefit characteristic was adjusted to be actuarially equivalent to an available input within the AV Calculator for purposes of utilizing the AV Calculator as the basis for AV Metal Values. Benefits for plans that are not compatible with the parameters of the AV Calculator have been separately identified and documented in the Unique Plan Design Supporting Documentation and Justification that supports the Plan & Benefits Template.

The Part I Unified Rate Review Template does not demonstrate the process used by the issuer to develop the rates. Rather it represents information required by Federal regulation to be provided in support of the review of rate changes, for certification of Qualified Health Plans for Federally-Facilitated Exchanges, and for certification that the Index Rate is developed in accordance with Federal regulation, used consistently, and only adjusted by the allowable modifiers. However, this Actuarial Memorandum does accurately describe the process used by the issuer to develop the rates.

The rates and rating assumptions including trend, morbidity, and benefit adjustments proposed in this submission reflect an estimate of the claims cost impact of the current COVID-19 outbreak, economic impacts, and expected membership migration across insurance markets as well as the regulatory framework and insurer participation in the market as of August 3, 2020. To the extent emerging data shows COVID-19 testing and treatment are impacting costs significantly different than assumed in this filing, or if there are changes in regulation or insurer participation, then proposed rates may no longer be appropriate and should be reevaluated for revision and resubmission.



Craig Allen
Actuarial Director

August 3, 2020
Date

Exhibit A - Non-Grandfathered Rate Changes

Anthem Health Plans of Kentucky, Inc. Individual

Rates Effective January 1, 2021

HIOS Plan Name	2020 HIOS Plan ID	On/Off		Network Name	Area(s) Offered	Plan Category	Plan Specific Rate
		Exchange	Metal Level				Change (excluding aging) ^{(1),(2)}
Anthem Catastrophic Pathway X HMO 8550	36239KY1140039	On	Catastrophic	Pathway HMO		Renewing	2.0%
Anthem Catastrophic Pathway Transition X HMO 8550	36239KY1140043	On	Catastrophic	Pathway Transition HMO		Renewing	2.2%
Anthem Catastrophic Pathway Transition X HMO 8550	36239KY1140056	On	Catastrophic	Pathway Transition HMO		New	0.0%
Anthem Catastrophic Pathway Transition X HMO 8550	36239KY1140057	On	Catastrophic	Pathway Transition HMO		New	0.0%
Anthem Bronze Pathway X HMO 6700	36239KY1140001	On	Bronze	Pathway HMO		Renewing	9.3%
Anthem Bronze Pathway X HMO 6700 for HSA	36239KY1140034	On	Bronze	Pathway HMO		Renewing	9.8%
Anthem Bronze Pathway X Transition HMO 7300	36239KY1140038	On	Bronze	Pathway Transition HMO		Renewing	7.5%
Anthem Bronze Pathway X Transition HMO 6800 for HSA	36239KY1140042	On	Bronze	Pathway Transition HMO		Renewing	8.8%
Anthem Bronze Pathway X Transition HMO 6800 for HSA	36239KY1140053	On	Bronze	Pathway Transition HMO		New	0.0%
Anthem Bronze Pathway X Transition HMO 6800 for HSA	36239KY1140054	On	Bronze	Pathway Transition HMO		New	0.0%
Anthem Bronze Pathway X Transition HMO 6800 for HSA	36239KY1140055	On	Bronze	Pathway Transition HMO		New	0.0%
Anthem Bronze Pathway X Transition HMO 7300	36239KY1140051	On	Bronze	Pathway Transition HMO		New	0.0%
Anthem Bronze Pathway X Transition HMO 7300	36239KY1140052	On	Bronze	Pathway Transition HMO		New	0.0%
Anthem Silver Pathway X Transition HMO 6700	36239KY1140058	On	Silver	Pathway Transition HMO		New	0.0%
Anthem Silver Pathway X Transition HMO 6700	36239KY1140059	On	Silver	Pathway Transition HMO		New	0.0%
Anthem Silver Pathway X HMO 3500	36239KY1140005	On	Silver	Pathway HMO		Renewing	3.6%
Anthem Silver Pathway X HMO 3000 for HSA	36239KY1140035	On	Silver	Pathway HMO		Renewing	4.0%
Anthem Silver Pathway X Transition HMO 6700	36239KY1140040	On	Silver	Pathway Transition HMO		Renewing	3.2%
Anthem Silver Pathway X Transition HMO 4650 for HSA	36239KY1140046	On	Silver	Pathway Transition HMO		Renewing	0.5%
Anthem Silver Pathway X HMO 6000	36239KY1140045	On	Silver	Pathway HMO		Renewing	5.0%
Anthem Silver Pathway X Transition HMO 4650 for HSA	36239KY1140060	On	Silver	Pathway Transition HMO		New	0.0%
Anthem Silver Pathway X Transition HMO 4650 for HSA	36239KY1140061	On	Silver	Pathway Transition HMO		New	0.0%
Anthem Silver Pathway X Transition HMO 4650 for HSA	36239KY1140062	On	Silver	Pathway Transition HMO		New	0.0%
Anthem Gold Pathway X HMO 2450	36239KY1140009	On	Gold	Pathway HMO		Renewing	-0.5%
Anthem Gold Pathway X Transition HMO 2450	36239KY1140044	On	Gold	Pathway Transition HMO		Renewing	-0.3%

NOTES:

{1} Plan level increases in rates do not include demographic changes in the population.

{2} Plan level rate increases were developed in accordance to URR Instructions. For 'New' 2021 plans, non-zero rate increases were calculated based off 2020 terminated plans mapped to them.

Exhibit B - Claims Experience for Rate Developments

Anthem Health Plans of Kentucky, Inc.
Individual

Experience Rate Claims Experience
Incurred January 1, 2019 through December 31, 2019
Paid through February 29, 2020

PAID CLAIMS:									
Incurred and Paid Claims:		IBNR:		Fully Incurred Claims:			Total	Member	Total
Medical	Drug	Medical	Drug	Medical	Drug	Capitation	Benefit Expense	Months	PMPM
\$157,487,494	\$64,034,192	\$6,078,476	\$31,123	\$163,565,969	\$64,065,315	\$58,928	\$227,690,212	526,240	\$432.67

ALLOWED CLAIMS:									
Incurred and Paid Claims:		IBNR:		Fully Incurred Claims:			Total	Member	Total
Medical	Drug	Medical	Drug	Medical	Drug	Capitation	Benefit Expense	Months	PMPM
\$198,276,174	\$78,573,832	\$7,263,550	\$36,885	\$205,539,724	\$78,610,717	\$58,928	\$284,209,369	526,240	\$540.08

Note

{1} The 'Experience Rate Claims Experience' above does not account for Transitional Plans, Rx Rebates, or CSR Receivables in 'Paid Claims', whereas the claims shown in Worksheet 1, Section 1 of the URRT include them, if present.

Exhibit C - Market-wide Adjusted Index Rate Development

Anthem Health Plans of Kentucky, Inc. Individual

Rates Effective January 1, 2021

	Experience Rate	
1) Starting Paid Claims PMPM	\$432.67	Exhibit B
2) x Normalization Factor		Exhibit D
3) = Normalized Claims		= (1) x (2)
4) x Plan Design Changes		Exhibit E
5) x Morbidity Changes		Exhibit E
6) x Trend Factor		Exhibit E
7) x Other Cost of Care Impacts		Exhibit E
8) = Projected Paid Claim Cost		= (3) x (4) x (5) x (6) x (7)
9) Credibility Weight		
10) Blended Paid Claims		
11) - Non-EHBs Embedded in Line Item 1) Above		
12) = Projected Paid Claims, Excluding ALL Non-EHBs		= (10) - (11)
13) + Rx Rebates		Exhibit F
14) + CSR Receivable		Exhibit F
15) + Additional EHBs		Exhibit F
16) = Projected Paid Claims for EHBs	\$500.92	= (12) + (13) + (14) + (15)
17) ÷ Paid to Allowed Ratio	0.7705	
18) = Index Rate ^{2}	\$650.12	= (16) / (17)
19) Reinsurance Contribution	\$0.00	Exhibit G
20) Expected Reinsurance Payments	\$0.00	Exhibit G
21) Risk Adjustment Net Transfer		Exhibit G
22) Marketplace User Fee		Exhibit H
23) = Market-wide Adjusted Index Rate ^{3}	\$717.55	= (18)+[(19)+(20)+(21)+(22)] ÷ (17)

NOTE:

- {1} Factors above are detailed in subsequent exhibits
- {2} Index Rate is Projected Allowed Claims for EHBs only
- {3} The Market-wide Adjusted Index Rate is the same for all plans in the single risk pool

Exhibit D - Normalization Factors

Anthem Health Plans of Kentucky, Inc. Individual

Rates Effective January 1, 2021

	Average Claim Factors - Experience Rate		Normalization Factor ⁽¹⁾
	Experience Period Population	Future Population	
Age/Gender			
Area/Network			
Benefit Plan			
Total			

Note

{1} Normalization Factor = Future Population Factor / Experience Period Population Factor

Exhibit E - Projection Period Adjustments

Anthem Health Plans of Kentucky, Inc. Individual

Rates Effective January 1, 2021

<i>Impact of Changes Between Experience Period and Projection Period:</i>		
	Experience Rate	
<u>Plan Design Changes</u>		
Network Adjustments		
Rx adjustments		
<hr/> Total Benefit Changes		
<u>Morbidity Changes</u>		
Total Morbidity Changes		
<u>Trend & Other Cost of Care Impacts</u>		
Annual Medical/Rx Trend Rate		
# Months of Projection		
Trend Factor		
Induced Demand for CSR		
Grace Period		
<hr/> Total other Cost of Care Impacts		

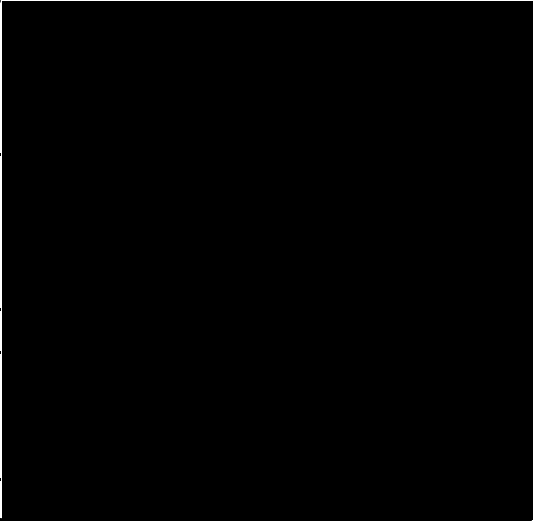
Note

{1} Explanation of the factors above is provided in the Actuarial Memorandum

Exhibit F - Other Claim Adjustments

Anthem Health Plans of Kentucky, Inc. Individual

Rates Effective January 1, 2021

<i>Other Claim Adjustments</i>	
Rx Rebates CSR Receivable	
Additional EHBs Pediatric Dental Pediatric Vision	
Total - Additional EHBs	
Additional non-EHBs None	
Total - Additional Non-EHBs	

NOTES:

{1} This exhibit includes projected claims from lines 13, 14, and 15 of Exhibit C and additional non EHBs.

Exhibit G - Risk Adjustment and Reinsurance Contributions and Payments

**Anthem Health Plans of Kentucky, Inc.
Individual**

Rates Effective January 1, 2021

<u>Risk Adjustment:</u>		
PMPM		Net Transfer{1}
Federal Program		[REDACTED]
<u>Reinsurance:</u> ^{2}		
PMPM	Contributions Made	Expected Receipts
Federal Program	\$0.00	\$0.00
Grand Total of All Risk Mitigation Programs		[REDACTED]

NOTES:

{1} Projected risk adjustment transfer amount is explained in the Memorandum "Development of the Market-wide Adjusted Index Rate" Section.

{2} Federal Reinsurance Program is no longer applicable starting in 2017.

Exhibit H - Non-Benefit Expenses and Profit & Risk

Anthem Health Plans of Kentucky, Inc. Individual

Rates Effective January 1, 2021

	Expenses Applied As a PMPM Cost	Expenses Applied as a % of Premium ⁽¹⁾		Expenses Expressed as a PMPM ⁽⁵⁾
Administrative Expenses				
Administrative Costs				
Quality Improvement Expense				
Selling Expense				
Specialty Expenses				
Total Administrative Expenses				\$50.69
Taxes and Fees				
PCORI Fee				
ACA Insurer Fee				
Risk Adjustment Fee ⁽²⁾				
Marketplace User Fee				
MLR-Deductible Federal/State Income Taxes ⁽³⁾				
Misc Taxes & Fees - %-of-Premium				
Total Taxes and Fees				\$37.74
Profit and Risk Margin ⁽⁴⁾				\$36.99
Total Non-Benefit Expenses, Profit, and Risk				\$125.41

NOTES:

{1} The sum of the rounded percentages shown may not equal the total at the bottom of the table due to rounding.

{2} The Risk Adjustment User Fee reflects the per capita annual user fee rate established by HHS at the time this filing was prepared: \$2.28 per year or \$0.19 per-enrollee-per-month

{3} Includes only those income taxes which are deductible from the MLR denominator; in particular, Federal income taxes on investment income are excluded.

{4} Profit and Risk Margin shown here is post-tax profit, net of those federal and state income taxes which are deductible from the MLR denominator.

{5} Anthem's Non-Benefit Expenses are applied in both PMPM and % of Premium as shown above. The last column expresses all non-benefit Expenses in PMPM only.

Exhibit I - Federal MLR Estimated Calculation

Anthem Health Plans of Kentucky, Inc. Individual

Rates Effective January 1, 2021

Numerator:

Incurred Claims ^{1}
 + Quality Improvement Expense
 + Risk Corridor Contributions
 + Risk Adjustment Net Transfer
 + Reinsurance Receipts
 + Risk Corridor Receipts
 + Reduction to Rx Incurred Claims (ACA MLR)

 = **Estimated Federal MLR Numerator**

Exhibit C (Line 16) + Exhibit F (Total Non-EHBs)
 Exhibit H
 Exhibit G
 Exhibit G
 Footnote ^{3}

Denominator:

Premiums ^{2}
 - Federal and State Taxes
 - Premium Taxes
 - Risk Adjustment User Fee
 - Reinsurance Contributions
 - Licensing and Regulatory Fees

 = **Estimated Federal MLR Denominator**

Incurred Claims + Exhibit G (Total) + Exhibit H (Total)
 Exhibit H (Federal/State Income Taxes)
 Exhibit H (Premium Tax)
 Exhibit H
 Exhibit G
 Exhibit H (PCORI, ACA and Marketplace Fees)

Estimated Federal MLR

Footnote ^{4}

NOTES:

{1} Incurred Claims = Projected Paid Claims for EHB (Exhibit C Line 16) + additional non EHBs (Exhibit F Total Non-EHBs)

{2} Premiums = Incurred Claims in this exhibit + Risk Mitigation Programs in Exhibit G + Non-Benefit Expenses and Profit & Risk Margin in Exhibit H

{3} This is the amount of 2021 pharmacy claims that are attributable to PBM Administrative Expenses (i.e. the 'retail spread' or 'pharmacy claims margin'). It is calculated by applying the 3rd party margin percentage to the 2021 projected Pharmacy claims including projected rebates.

{4} The above calculation is purely an estimate and not meant to be compared to the minimum MLR benchmark for federal/state MLR rebate purposes:

- * The above calculation represents only the products in this filing. Federal MLR will be calculated at the legal entity and market level.
- * Not all numerator/denominator components are captured above (for example, fraud and prevention program costs, payroll taxes, assessments for state high risk pools etc.).
- * Other adjustments may also be applied within the federal MLR calculation such as 3-year averaging, new business, credibility, deductible and dual option. These are ignored in the above calculation.
- * Licensing and Regulatory Fees include ACA-related fees as allowed under the MLR Final Rule.

Exhibit J - Plan Adjusted Index Rate and Consumer Adjusted Premium Rates

**Anthem Health Plans of Kentucky, Inc.
Individual**

Rates Effective January 1, 2021

HIOS Plan Name	HIOS Plan ID	Market Adjusted Index Rate (Exhibit C)	Cost Sharing Adjustment	Provider Network Adjustment	Adjustment for Benefits in Addition to the EHBS	Catastrophic Plan Adjustment ⁽¹⁾	Administrative Costs ⁽²⁾	Plan Adjusted Index Rate ⁽³⁾	Calibration Factor ⁽⁴⁾	Consumer Adjusted Premium Rate ⁽⁵⁾
Anthem Catastrophic Pathway X HMO 8550	36239KY1140039	\$717.55						\$442.85	1.7688	\$250.37
Anthem Catastrophic Pathway Transition X HMO 8550	36239KY1140043	\$717.55						\$379.22	1.7688	\$214.39
Anthem Catastrophic Pathway Transition X HMO 8550	36239KY1140056	\$717.55						\$374.63	1.7688	\$211.80
Anthem Catastrophic Pathway Transition X HMO 8550	36239KY1140057	\$717.55						\$386.00	1.7688	\$218.23
Anthem Bronze Pathway X HMO 6700	36239KY1140001	\$717.55						\$632.52	1.7688	\$357.60
Anthem Bronze Pathway X HMO 6700 for HSA	36239KY1140034	\$717.55						\$614.71	1.7688	\$347.53
Anthem Bronze Pathway X Transition HMO 7300	36239KY1140038	\$717.55						\$560.93	1.7688	\$317.12
Anthem Bronze Pathway X Transition HMO 6800 for HSA	36239KY1140042	\$717.55						\$524.06	1.7688	\$296.28
Anthem Bronze Pathway X Transition HMO 6800 for HSA	36239KY1140053	\$717.55						\$517.72	1.7688	\$292.69
Anthem Bronze Pathway X Transition HMO 6800 for HSA	36239KY1140054	\$717.55						\$517.72	1.7688	\$292.69
Anthem Bronze Pathway X Transition HMO 6800 for HSA	36239KY1140055	\$717.55						\$533.43	1.7688	\$301.58
Anthem Bronze Pathway X Transition HMO 7300	36239KY1140051	\$717.55						\$554.14	1.7688	\$313.28
Anthem Bronze Pathway X Transition HMO 7300	36239KY1140052	\$717.55						\$570.95	1.7688	\$322.79
Anthem Silver Pathway X Transition HMO 6700	36239KY1140058	\$717.55						\$623.07	1.7688	\$352.26
Anthem Silver Pathway X Transition HMO 6700	36239KY1140059	\$717.55						\$641.97	1.7688	\$362.94
Anthem Silver Pathway X HMO 3500	36239KY1140005	\$717.55						\$816.52	1.7688	\$461.62
Anthem Silver Pathway X HMO 3000 for HSA	36239KY1140035	\$717.55						\$833.97	1.7688	\$471.49
Anthem Silver Pathway X Transition HMO 6700	36239KY1140040	\$717.55						\$630.71	1.7688	\$356.57
Anthem Silver Pathway X Transition HMO 4650 for HSA	36239KY1140046	\$717.55						\$620.74	1.7688	\$350.94
Anthem Silver Pathway X HMO 6000	36239KY1140045	\$717.55						\$736.26	1.7688	\$416.25
Anthem Silver Pathway X Transition HMO 4650 for HSA	36239KY1140060	\$717.55						\$613.22	1.7688	\$346.69
Anthem Silver Pathway X Transition HMO 4650 for HSA	36239KY1140061	\$717.55						\$613.22	1.7688	\$346.69
Anthem Silver Pathway X Transition HMO 4650 for HSA	36239KY1140062	\$717.55						\$631.83	1.7688	\$357.21
Anthem Gold Pathway X HMO 2450	36239KY1140009	\$717.55						\$1,014.97	1.7688	\$573.82
Anthem Gold Pathway X Transition HMO 2450	36239KY1140044	\$717.55						\$869.13	1.7688	\$491.37

Notes:

(1) This adjustment reflects the projected costs of the population eligible for catastrophic plans.

(2) This is an additive adjustment that includes all the selling expense, administration and retention items shown in Exhibit H, with the exception of the Exchange User Fee. The Exchange User Fee has been included in the Market-wide Adjusted Index Rate at the market level.

(3) The Plan Adjusted Index Rate is calculated by multiplying the Market-wide Adjusted Index Rate by the AV and cost sharing, provider network, benefits in addition to the EHBS, and catastrophic plan adjustments and then adding the administrative costs. The Plan Adjusted Index Rate can also be described as a Plan Level Required Premium.

(4) See Exhibit K - Calibration.

(5) The Consumer Adjusted Premium Rate is equal to 'Plan Adjusted Index Rate' divided by 'Calibration Factor'.

Exhibit K - Calibration

Anthem Health Plans of Kentucky, Inc. Individual

Rates Effective January 1, 2021

<i>Average rating factors for 2021 population:</i>	
	Calibration Factors
Age	1.7428
Tobacco	1.0120
Area	1.0029
Total Calibration Factor{1}	1.7688

NOTES:

{1} Total Calibration factor was used in Exhibit J.

{2} Age calibration includes adjustments for membership that exceeds the three child dependent cap, as permitted by CMS per 2021 Part 3 Instructions.

Exhibit L - Age and Tobacco Factors

Anthem Health Plans of Kentucky, Inc. Individual

Rates Effective January 1, 2021

Age	Age Factors	Tobacco Factors
	2021	2021
0-14	0.765	1.000
15	0.833	1.000
16	0.859	1.000
17	0.885	1.000
18	0.913	1.000
19	0.941	1.000
20	0.970	1.000
21	1.000	1.000
22	1.000	1.000
23	1.000	1.000
24	1.000	1.000
25	1.004	1.000
26	1.024	1.000
27	1.048	1.000
28	1.087	1.000
29	1.119	1.000
30	1.135	1.050
31	1.159	1.050
32	1.183	1.050
33	1.198	1.050
34	1.214	1.050
35	1.222	1.050
36	1.230	1.050
37	1.238	1.050
38	1.246	1.050
39	1.262	1.050
40	1.278	1.050
41	1.302	1.050
42	1.325	1.050
43	1.357	1.050
44	1.397	1.050
45	1.444	1.050
46	1.500	1.050
47	1.563	1.050
48	1.635	1.050
49	1.706	1.050
50	1.786	1.100
51	1.865	1.100
52	1.952	1.100
53	2.040	1.100
54	2.135	1.100
55	2.230	1.100
56	2.333	1.100
57	2.437	1.100
58	2.548	1.100
59	2.603	1.100
60	2.714	1.100
61	2.810	1.100
62	2.873	1.100
63	2.952	1.100
64+	3.000	1.100

NOTES:

The weighted average of these factors for the entire risk pool included in this rate filing is provided in Exhibit K.

Exhibit M - Area Factors

Anthem Health Plans of Kentucky, Inc. Individual

Rates Effective January 1, 2021

Rating Area Description	2021 Area Rating Factor	2020 Area Rating Factor	Change
1 Western KY			
2 Owensboro			
3 Louisville			
4 Southern KY			
5 Lexington			
6 Northern KY			
7 Northeastern KY			
8 Southeastern KY			

NOTES:

{1} The weighted average of these factors for the entire risk pool included in this rate filing is provided in Exhibit K.

Exhibit N - Sample Rate Calculation

Anthem Health Plans of Kentucky, Inc. Individual

Rates Effective January 1, 2021

Name: John Doe
Effective Date: 1/1/2021
On/Off Exchange: On
Metal Level: Bronze
Plan ID: 36239KY1140034
Rating Area: 01

Family Members Covered:

	<u>Age</u>	<u>Smoker?</u>
Subscriber	47	N
Spouse	42	N
Child (age 21+)	25	Y
Child #1	20	N
Child #2	16	N

Calculation of Monthly Premium:

Consumer Adjusted Premium Rate	\$347.53	Exhibit J
<u>x Area Factor</u>	<u>1.0026</u>	Exhibit M
Rate Adjusted for Area =	\$348.43	

Age/Tobacco Factors:

Exhibit L

	<u>Age Factor</u>	<u>Tobacco Factor</u>
Subscriber	1.563	1.000
Spouse	1.325	1.000
Child (age 21+)	1.004	1.000
Child #1	0.970	1.000
Child #2	0.859	1.000

Final Monthly Premium PMPM:

	<u>PMPM</u>
Subscriber	\$544.60
Spouse	\$461.67
Child (age 21+)	\$349.82
Child #1	\$337.98
Child #2	\$299.30
TOTAL	\$1,993.37

NOTES:

As per the Market Reform Rule, when computing family premiums no more than the three oldest covered children under the age of 21 are taken into account whereas the premiums associated with each child age 21+ are included.

Minor rate variances may occur due to differences in rounding methodology.

Exhibit O - Membership Projections for Cost-Sharing Reductions

Anthem Health Plans of Kentucky, Inc. Individual

Rates Effective January 1, 2021

Silver Plan	Projected Membership by Subsidy Level:				
<u>HIOS Standard Component Plan ID</u>	<u>Zero Cost Sharing</u>	<u>100-150%</u>	<u>150%-200%</u>	<u>200%-250%</u>	<u>Standard</u>
36239KY1140058	0	114	128	60	46
36239KY1140059	0	94	105	49	37
36239KY1140005	1	797	1,374	853	814
36239KY1140035	0	204	352	219	209
36239KY1140040	0	1,739	1,948	918	701
36239KY1140046	0	609	682	321	246
36239KY1140045	4	2,712	4,677	2,903	2,771
36239KY1140060	0	181	203	96	73
36239KY1140061	0	40	45	21	16
36239KY1140062	0	33	37	17	13

Exhibit P - Terminated Products

Anthem Health Plans of Kentucky, Inc.
Individual

Effective January 1, 2021

Following are the products that will be terminated prior to the effective date:	
<i>This includes products that have experience included in the URRT during the experience period and any products that were not in effect during the experience period but were made available thereafter.</i>	
Pre ACA Terminated Products	
HIOS Product ID	HIOS Product Name
N/A	N/A
Post ACA Terminated Products	
HIOS Product ID	HIOS Product Name
N/A	N/A

NOTES:

{1} This exhibit may include a greater number of HIOS Product IDs than the URRT, WS2, as this list additionally includes terminated Product IDs that were introduced after the experience period.