

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:	Small Group
Effective Date:	January 1, 2017

- Company Contact Information

Primary Contact Name:	Michelle Brown
Primary Contact Telephone Number:	(317)-287-5613
Primary Contact Email Address:	michelle.brown2@anthem.com

2. Scope and Purpose of the Filing

This is a rate filing for the Small Group 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 2017 plan year beginning January 1, 2017, and apply to plans both On-Exchange and Off-Exchange. This filing also includes quarterly premium trends for the year. Rates are guaranteed for 12 months after the group's effective date or renewal date. The products and proposed rates in this filing apply to groups with 50 or fewer employees.

The Memorandum provides support to the rate development and demonstrates that rates are established in compliance with state laws and provisions of the Affordable Care Act. To the extent relevant rules or guidance on the rules are updated or changed, amendments to this filing may be required. This rate filing is not intended to be used for other purposes.

Policy Form Number(s):

ABCBS-KY-PPO (1/17)
ABCBS-KY-HMO (1/17)

3. Proposed Rate Increase(s)

The proposed annual rate changes by product in this filing range from 6.4% to 10.7%, with rate changes by plan from 3.0% to 12.0%. These ranges are based on the renewing plans, and are consistent with what's 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 increased utilization of services.
- Benefit modifications, including changes made to comply with updated AV requirements.
- Changes in taxes, fees, and some non-benefit expenses, including the one-year suspension of the Health Insurer Tax for 2017.
- Discontinuance of the Federal Transitional Reinsurance Program, which impacts contributions to the program.

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.
- Changes in some non-benefit expenses that are applied on a PMPM basis.
- Changes in the claim cost relativity by area and network.

4. Experience Period Premium and Claims

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 Small Group market. The definition of a small employer is group policies of 50 or fewer employees.

- **Paid Through Date**

The experience reported in Worksheet 1, Section I of the URRT reflect the incurred claims from January 1, 2015 through December 31, 2015 based on claims paid through February 29, 2016.

- **Premiums (net of MLR Rebate) in Experience Period**

[REDACTED]

[REDACTED]

[REDACTED] the net earned premium is \$302,656,363 for the legal entity as reported in cell F14 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 \$294,241,532 and \$226,791,610, respectively. These amounts differ from those shown in Exhibit B due to the URRT taking transitional policies and Rx rebates into account.

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.

- Changes in the Morbidity of the Population Insured

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 groups to Anthem. The morbidity impacts of population movement are based on the experience period risk score data and estimated risk scores of the projected population. Exhibit F shows the morbidity factor.

- Changes in Benefits

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

- Essential Health Benefit (EHB) Changes: Adjustments are made to reflect the 2017 requirement to provide separate but equal visit limits for rehabilitative and habilitative therapies per HHS Notice of Benefit and Payment Parameters. This factor also adjusts for the change in the state EHB benchmark plan for 2017. The impact of expanded coverage for Adult Hearing Aids is also included in this factor.
- Out-of-Network Benefit Adjustments: Adjustments are made to account for the member cost sharing change for Out-of-Network benefits between the experience period and the projection period for some plans.
- Rx Adjustments: Adjustments are made to reflect the difference between the experience period and the projection period in the Rx mail order programs.

- 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 E 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 group'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.

- Other Adjustments

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

- Composite Rating: Per 2015 HHS Notice of Benefit and Payment Parameters, composite rating will be available to all group sizes. Prior to 2015, composite rating was offered to group sizes 10 and above. An adjustment is being made to the rates to reflect the anti-selective impact of composite rating smaller group sizes.

Anthem currently utilizes a 2-tier composite rating methodology, which is consistent with guidance provided in the 2015 Notice of Benefit and Payment Parameters. In the event the state allows carriers to utilize a 4-tier composite rating methodology, Anthem intends to move to the 4-tier methodology using the composite rating factors by tier prescribed by the state. An example of the 2-tier and 4-tier methodologies is shown in Exhibit O.

- 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 cost of pediatric dental and vision benefits are included.
- Benefits in excess of the essential health benefits in the projection period are included. Exhibit G provides details of additional non-EHB benefits.

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.

• Trend Factors (cost/utilization)

- [REDACTED]

- [REDACTED]

7. Credibility Manual Rate Development

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 5,945 members.

To determine credibility, the following formula was used: $\sqrt{\text{experience period members} / 5,945}$

- Resulting Credibility Level Assigned to Base Period Experience

With 11,787 members, the credibility level assigned to the experience period claims is 100%.

9. Paid to Allowed Ratio

The 'Paid to Allowed Average Factor in Projection Period' reported in Worksheet 1, Section III of the URRT is equal to the ratio of member weighted average paid claims PMPM by plan to the member weighted average allowed claims PMPM by plan for the essential health benefits. The projected membership by plan used in the weighted average is reported in Worksheet 2, Section II of the URRT.

10. Risk Adjustment and Reinsurance

- Experience Period Risk Adjustment and Reinsurance Adjustments PMPM:

Experience period risk adjustments are estimated based on available 2015 information, including Wakely market study, CMS preliminary 2015 risk adjustment transfers and additional analysis of the market risk. Wakely Consulting collected demographic and risk information from carriers in the state and market, and calculated Anthem's relative risk to the market. The 'Net Amt of Risk Adj' reported in Worksheet 2, section III of the URRT reflect the risk adjustment transfers net of risk adjustment fees.

ACA reinsurance recoveries do not apply to Small Group business. The 'Net Amt of Rein' reported in Worksheet 2, section III of the URRT reflect the reinsurance contribution amounts for 2015.

- Projected Risk Adjustments PMPM:

Projection period risk adjustments are estimated based on the HHS payment transfer formula. The Wakely study and CMS preliminary 2015 risk adjustment transfers were used to develop the assumptions for the market level risk scores and the company's relative risk to the market. Any projected changes in population movements and demographics that may affect risk adjustments are also considered.

The projected risk adjustment PMPMs reported in the URRT are net of risk adjustment fees, and on a paid claim basis. The projected amount applied to the development of Market Adjusted Index Rate is on an allowed claim basis. Exhibit D and Exhibit H provide details.

- **Projected ACA Reinsurance Recoveries Net of Reinsurance Premium**

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

11. Non-Benefit Expenses and Profit & Risk

Non-benefit expenses and profit & risk margin are explained below. Exhibit I shows the amount for each component.

- **Administrative Expense**

Administrative Expenses are expected to be consistent with historical levels and are developed utilizing the same methodology as previous filings. Maintenance costs are projected for 2017 based on 2015 actual expenses with adjustments made for expected changes in business operations.

- **Quality Improvement Expense**

Quality Improvement initiatives include programs such as Improve Health Outcomes, Activities to Prevent Hospital Readmissions, Improve Patient Safety and Reduce Medical Errors, Wellness and Health Promotion Activities, and Health Information Technology Expenses for Health Care Quality Improvements. The expense assumptions are based on historical expense level adjusted for cost inflation and anticipated changes in the programs.

- **Selling Expense**

Selling Expense represents projected broker commissions and bonuses associated with the broker distribution channel.

- **Specialty Expenses**

Specialty Expenses are projected administrative expenses for dental and vision coverage.

- Taxes and Fees

- Patient-Centered Outcomes Research Institute (PCORI) Fee: The PCORI fee is a federally-mandated fee designed to help fund the Patient-Centered Outcomes Research Trust Fund.
- ACA Insurer Fee: The health insurance industry is assessed a permanent fee, based on market share of net premium, which is not tax deductible. The tax impact of non-deductibility is captured in this fee. For Small Group, this is calculated as the member-month weighted average of the 2017 and 2018 Insurer Fees.
- Marketplace User Fee (Exchange Fee): The Marketplace User Fee is assumed to be 1.5% and 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 3.0% 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 Marketplace User Fee is applied as an adjustment to the Market Adjusted Index Rate at the market level as shown in Exhibit D.

- Federal income taxes, and state income taxes are also included.
- GAP Assessment: the GAP Fee is assumed to be 1.0%.

The Risk Adjustment User Fee is reflected in the risk adjustment component of incurred claims, therefore not included in taxes and fees.

- Profit & Risk Margin

Profit & risk margin is reflected on a post-tax basis as a percentage of premium. The percentage of profit & risk margin does not vary by plan.

12. Projected Loss Ratio

- Projected Federal MLR

Exhibit J 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 Small Group business. The MLR for Anthem's entire book of Small Group 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.

13. Single Risk Pool

The single risk pool for this filing is established according to the requirements in 45 CFR 156.80. It reflects all covered lives for every non-grandfathered product/plan combination sold in the Kentucky Small Group market by Anthem Health Plans of Kentucky, Inc. .

14. 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 Small Group market. The Index Rate reported in Worksheet 1, Section I, cell G17 of the URRT is \$365.00, rounded to the nearest whole dollar as instructed. No benefits in excess of the essential health benefits have been included in this amount.

- 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 Small Group 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 III, cell V44 of the URRT. No benefits in excess of the essential health benefits have been included in this amount. Since quarterly trends are included in this filing, the index rate reflects the member weighted average of the projected index rates applicable for each quarter. Exhibit D provides details on this.

- Quarterly Premium Trend Factors

Quarterly premium rate changes will be implemented for products both On-Exchange and Off-Exchange. Exhibit D provides the quarterly premium trend factors for the remainder of the year.

15. Market Adjusted Index Rate

The Market 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 - Federal reinsurance program adjustment (ended for 2017), risk adjustment and Marketplace user fee adjustment - were described previously in the memo. In compliance with URR Instructions, these adjustments were applied on an allowed basis in the development of the Market Adjusted Index Rate, while they were reported in the URRT on a paid basis. Exhibit D illustrates the development of the Market Adjusted Index Rate.

16. Plan Adjusted Index Rate

The Plan Adjusted Index Rate is calculated as the Market Adjusted Index Rate adjusted for all allowable plan level modifiers defined in the market rating rules. Exhibit K 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: This multiplicative factor adjusts for additional non-EHB benefits shown in Exhibit G.
- Catastrophic Plan Adjustment: There are no catastrophic plans in this filing. The factor of 1.0 indicates no adjustments.
- Adjustments for Distribution and Administrative Cost: This is an additive adjustment that includes all the selling expense, administration and retention Items shown in Exhibit I, with the exception of the Marketplace user fee. The Marketplace user fee has been included in the Market Adjusted Index Rate at the market level.

Experience Period Plan Adjusted Index Rate

The Plan Adjusted Index Rates for the experience period are reported in Worksheet 2, Section III of the URR. They represent the Plan Adjusted Index Rates filed in 2015.

17. Calibration

The Plan Adjusted Index Rate is calibrated by the Age and Geographic factors so that the schedule of premiums rates for each plan can be further developed. Exhibit L shows both 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 45.

- **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.

18. Consumer Adjusted Premium Rate Development

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

- **Small Group Plan Premium Rates**

For Small Group, the Plan Adjusted Index Rate reflects the member weighted average premium over the calendar year. As such, the Consumer Adjusted Premium Rate column in Exhibit K has been adjusted by the member weighted quarterly premium trend to reflect the January, 2017 rates.

19. 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.

20. Actuarial Value Pricing Values

The Actuarial Value (AV) Pricing Values for each plan are reported in Worksheet 2, Section I of the URRT. The AV Pricing Value represents the cumulative effect of adjustments made to move from the Market Adjusted Index Rate to the Plan Adjusted Index Rate. Consistent with final Market Rules, utilization adjustments are made to account for member behavior variations based upon cost-share variations of the benefit design and not the health status of the member. The plan level allowable modifiers to the Index Rate are included in Exhibit K and described in Section 16 above.

21. Membership Projections

Membership projections are reported in Worksheet 2, Section IV of the URRT. They are based on historical and current enrollment, and expected new sales and lapses.

22. Terminated Plans and Products

Exhibit P provides a listing of products from 2015 and 2016 that will be terminated prior to January 1, 2017.

23. 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.

24. Warning Alerts

There are warning alerts in cells A55 and A57 on Worksheet 2, Section III of the Unified Rate Review Template. This is because Plan Adjusted Index Rates are only entered for single risk pool compliant plans on Worksheet 2, whereas the Worksheet 1 average premium rate reflects the experience of all non-grandfathered (single risk pool compliant and transitional) policies. An additional impact is due to the Small Group Plan Adjusted Index Rates on Worksheet 2 reflecting the member weighted average of the rates for all effective dates in the experience period, versus the Worksheet 1 average premium rate reflects the effective date of the change in the Index Rate.

25. 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 Michele Archer, FSA, MAAA to provide the actuarial certification for the Unique Plan Design Supporting Documentation and Justification for plans included in this filing.

26. Actuarial Certification

I, Jennifer Kraus, FSA, MAAA, 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

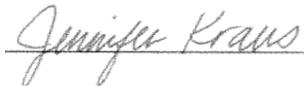
(2) The Index Rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 156.80(d)(2) were used to generate plan level rates.

(3) The percent of total premium that represents essential health benefits included in Worksheet 2, Sections III and IV of the Part I Unified Rate Review Template is calculated in accordance with Actuarial Standards of Practice.

(4) The geographic rating factors reflect only 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.

(5) 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.



Jennifer Kraus, FSA, MAAA
RVP and Actuary III

5/2/2016

Date

Exhibit A - Non-Grandfathered Rate Changes

Anthem Health Plans of Kentucky, Inc. Small Group

Rates Effective January 1, 2017

HIOS Plan Name	2017 HIOS Plan ID	On/Off		Network Name	Area(s) Offered	2016 HIOS Plan ID		Plan Category	Plan Specific Rate Change (excluding aging) {1}
		Exchange	Metal Level			Mapping	Plan Category		
Anthem Bronze Pathway X PPO 5000/30%/6850 Plus	36239KY0980040	On	Bronze	Pathway X	All	36239KY0980011	Renewing	9.5%	
Anthem Bronze Pathway X PPO 5500E/20%/6550 Plus w/HSA	36239KY0980042	On	Bronze	Pathway X	All	36239KY0980019	Renewing	7.0%	
Anthem Silver Pathway X PPO 2000/30%/4750 Plus	36239KY0980044	On	Silver	Pathway X	All	36239KY0980027	Renewing	12.0%	
Anthem Silver Pathway X PPO 5000/0%/5500 Plus	36239KY0980041	On	Silver	Pathway X	All	36239KY0980015	Renewing	9.0%	
Anthem Gold Pathway X PPO 1000/20%/5000 Plus	36239KY0980039	On	Gold	Pathway X	All	36239KY0980007	Renewing	10.9%	
Anthem Gold Pathway X PPO 1250/10%/6000 Plus	36239KY0980043	On	Gold	Pathway X	All	36239KY0980023	Renewing	11.0%	
Anthem Bronze Blue Access PPO 4500E/50%/6550 w/HSA	36239KY0990068	Off	Bronze	Blue Access	All	36239KY0990068	Renewing	6.8%	
Anthem Bronze Blue Access PPO 5500E/20%/6500 w/HSA	36239KY0990066	Off	Bronze	Blue Access	All	36239KY0990066	Renewing	6.7%	
Anthem Bronze Blue Access PPO 6550E/0%/6550 w/HSA	36239KY0990067	Off	Bronze	Blue Access	All	36239KY0990067	Renewing	3.0%	
Anthem Bronze Pathway PPO 5500E/20%/6550 w/HSA	36239KY0990179	Off	Bronze	Pathway	All	36239KY0990133	Renewing	6.8%	
Anthem Bronze Pathway PPO 6000/30%/6850	36239KY0990177	Off	Bronze	Pathway	All	36239KY0990101	Renewing	9.3%	
Anthem Silver Blue Access PPO 1500/30%/5500	36239KY0990070	Off	Silver	Blue Access	All	36239KY0990070	Renewing	7.8%	
Anthem Silver Blue Access PPO 1750/30%/5500	36239KY0990157	Off	Silver	Blue Access	All	36239KY0990157	Renewing	5.9%	
Anthem Silver Blue Access PPO 1750/40%/6350	36239KY0990065	Off	Silver	Blue Access	All	36239KY0990065	Renewing	9.6%	
Anthem Silver Blue Access PPO 2000/20%/6350	36239KY0990091	Off	Silver	Blue Access	All	36239KY0990091	Renewing	9.2%	
Anthem Silver Blue Access PPO 2000/30%/6350	36239KY0990052	Off	Silver	Blue Access	All	36239KY0990052	Renewing	6.7%	
Anthem Silver Blue Access PPO 2000/40%/6350	36239KY0990160	Off	Silver	Blue Access	All	36239KY0990160	Renewing	9.1%	
Anthem Silver Blue Access PPO 2500/30%/6000	36239KY0990159	Off	Silver	Blue Access	All	36239KY0990159	Renewing	8.0%	
Anthem Silver Blue Access PPO 2700E/20%/5750 w/HSA	36239KY0990163	Off	Silver	Blue Access	All	36239KY0990163	Renewing	8.5%	
Anthem Silver Blue Access PPO 2700E/30%/4500 w/HSA	36239KY0990092	Off	Silver	Blue Access	All	36239KY0990092	Renewing	8.9%	
Anthem Silver Blue Access PPO 5000/20%/6350	36239KY0990064	Off	Silver	Blue Access	All	36239KY0990064	Renewing	9.0%	
Anthem Silver Blue Access PPO 6350E/0%/6350 w/HSA	36239KY0990087	Off	Silver	Blue Access	All	36239KY0990087	Renewing	4.7%	
Anthem Silver Blue Access PPO 2000/50%/6350	36239KY0990171	Off	Silver	Blue Access	All	36239KY0990162	New	12.2%	
Anthem Silver Blue Access PPO 2100/20%/7100	36239KY0990172	Off	Silver	Blue Access	All	36239KY0990161	New	7.3%	
Anthem Silver Blue Access PPO 2700E/20%/4500 w/HSA	36239KY0990170	Off	Silver	Blue Access	All	36239KY0990084	New	9.1%	
Anthem Silver Blue Access PPO 2800E/20%/4000 w/HSA	36239KY0990169	Off	Silver	Blue Access	All	36239KY0990085	New	10.0%	
Anthem Silver Blue Access PPO 2000/0%/7150	36239KY0990187	Off	Silver	Blue Access	All	None	New	0.0%	
Anthem Silver Blue Access PPO 2750/0%/6850	36239KY0990186	Off	Silver	Blue Access	All	None	New	0.0%	
Anthem Silver Blue Access PPO 3000/0%/7000	36239KY0990185	Off	Silver	Blue Access	All	None	New	0.0%	
Anthem Silver Pathway PPO 1750/30%/5500	36239KY0990174	Off	Silver	Pathway	All	36239KY0990097	Renewing	6.6%	
Anthem Silver Pathway PPO 2500/0%/6850	36239KY0990182	Off	Silver	Pathway	All	None	New	0.0%	
Anthem Silver Pathway PPO 2500/20%/5000	36239KY0990176	Off	Silver	Pathway	All	36239KY0990113	Renewing	7.9%	
Anthem Silver Pathway PPO 2500/20%/6350	36239KY0990178	Off	Silver	Pathway	All	36239KY0990129	Renewing	9.2%	
Anthem Silver Pathway PPO 3500/0%/7150	36239KY0990183	Off	Silver	Pathway	All	None	New	0.0%	
Anthem Silver Pathway PPO 3575/0%/3575 w/HSA	36239KY0990180	Off	Silver	Pathway	All	36239KY0990153	Renewing	8.4%	

Exhibit A - Non-Grandfathered Rate Changes

Anthem Health Plans of Kentucky, Inc. Small Group

Rates Effective January 1, 2017

HIOS Plan Name	2017 HIOS Plan ID	On/Off		Network Name	Area(s) Offered	2016 HIOS Plan ID		Plan Category	Plan Specific Rate Change (excluding aging) {1}
		Exchange	Metal Level			Mapping			
Anthem Silver Pathway PPO 4000/0%/6000	36239KY0990184	Off	Silver	Pathway	All	None		New	0.0%
Anthem Silver Pathway PPO 4750/0%/5500	36239KY0990181	Off	Silver	Pathway	All	36239KY0990121		New	2.5%
Anthem Gold Blue Access PPO 1500/20%/6000	36239KY0990062	Off	Gold	Blue Access	All	36239KY0990062		Renewing	8.8%
Anthem Gold Blue Access PPO 2000/40%/3500	36239KY0990060	Off	Gold	Blue Access	All	36239KY0990060		Renewing	10.7%
Anthem Gold Blue Access PPO 3750/0%/4750	36239KY0990055	Off	Gold	Blue Access	All	36239KY0990055		Renewing	8.4%
Anthem Gold Blue Access PPO 500/20%/5000	36239KY0990069	Off	Gold	Blue Access	All	36239KY0990069		Renewing	8.7%
Anthem Gold Blue Access PPO 750/20%/5500	36239KY0990059	Off	Gold	Blue Access	All	36239KY0990059		Renewing	9.3%
Anthem Gold Blue Access PPO 1000/20%/5000	36239KY0990166	Off	Gold	Blue Access	All	36239KY0990061		New	9.9%
Anthem Gold Blue Access PPO 1500/20%/4000	36239KY0990165	Off	Gold	Blue Access	All	36239KY0990063		New	9.6%
Anthem Gold Blue Access PPO 2000/20%/3500	36239KY0990167	Off	Gold	Blue Access	All	36239KY0990054		New	9.6%
Anthem Gold Blue Access PPO 3000/0%/3500	36239KY0990168	Off	Gold	Blue Access	All	36239KY0990057		New	8.8%
Anthem Gold Blue Access PPO 500/20%/5500	36239KY0990164	Off	Gold	Blue Access	All	36239KY0990058		New	9.5%
Anthem Gold Pathway PPO 500/20%/5000	36239KY0990175	Off	Gold	Pathway	All	36239KY0990105		Renewing	6.3%
Anthem Platinum Pathway PPO 15/10%/2250	36239KY0990173	Off	Platinum	Pathway	All	36239KY0990093		Renewing	7.3%
Anthem Bronze Pathway HMO 4500E/50%/6550 w/HSA	36239KY1170025	Off	Bronze	Pathway HMO	All	36239KY1170025		New	0.0%
Anthem Silver Pathway HMO 1750/40%/6350	36239KY1170028	Off	Silver	Pathway HMO	All	36239KY1170028		New	0.0%
Anthem Silver Pathway HMO 2000/50%/6350	36239KY1170029	Off	Silver	Pathway HMO	All	36239KY1170029		New	0.0%
Anthem Silver Pathway HMO 5000/20%/6350	36239KY1170027	Off	Silver	Pathway HMO	All	36239KY1170027		New	0.0%
Anthem Silver Pathway HMO 5000E/20%/6500 w/HSA	36239KY1170026	Off	Silver	Pathway HMO	All	36239KY1170026		New	0.0%
Anthem Silver Pathway HMO 2000/30%/6350	36239KY1170032	Off	Silver	Pathway HMO	All	36239KY1170005		Renewing	4.3%
Anthem Silver Pathway HMO 2800E/20%/4000 w/HSA	36239KY1170034	Off	Silver	Pathway HMO	All	36239KY1170009		Renewing	7.1%
Anthem Gold Pathway HMO 4000/0%/4000	36239KY1170030	Off	Gold	Pathway HMO	All	36239KY1170030		New	0.0%
Anthem Gold Pathway HMO 500/20%/5000	36239KY1170031	Off	Gold	Pathway HMO	All	36239KY1170031		New	0.0%
Anthem Gold Pathway HMO 1500/20%/4000	36239KY1170033	Off	Gold	Pathway HMO	All	36239KY1170001		Renewing	6.8%
Anthem Bronze Pathway X HMO 4500E/50%/6550 Plus w/HSA	36239KY1180026	On	Bronze	Pathway X HMO	All	None		New	0.0%
Anthem Silver Pathway X HMO 2000/50%/6350 Plus	36239KY1180027	On	Silver	Pathway X HMO	All	None		New	0.0%
Anthem Gold Pathway X HMO 4000/0%/4000 Plus	36239KY1180025	On	Gold	Pathway X HMO	All	None		New	0.0%

NOTES:

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

Exhibit B - Claims Experience for Rate Developments

Anthem Health Plans of Kentucky, Inc.
Small Group

Experience Rate Claims Experience
Incurred January 1, 2015 through December 31, 2015
Paid through February 29, 2016

PAID CLAIMS:									
Incurred and Paid Claims:		IBNR:		Fully Incurred Claims:			Total	Member	Total
Medical	Drug	Medical	Drug	Medical	Drug	Capitation	Benefit Expense	Months	PMPM
\$34,506,473	\$16,524,200	\$1,136,744	\$44,731	\$35,643,217	\$16,568,931	\$13,140	\$52,225,288	141,445	\$369.23

ALLOWED CLAIMS:									
Incurred and Paid Claims:		IBNR:		Fully Incurred Claims:			Total	Member	Total
Medical	Drug	Medical	Drug	Medical	Drug	Capitation	Benefit Expense	Months	PMPM
\$44,826,409	\$19,931,415	\$1,429,145	\$53,723	\$46,255,554	\$19,985,138	\$13,140	\$66,253,832	141,445	\$468.41

Note

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

{2} Drug Claims are processed by an external vendor.

Exhibit C - Index Rate Development

Anthem Health Plans of Kentucky, Inc. Small Group

Rates Effective January 1, 2017

	Experience Rate	
1) Starting Paid Claims PMPM	\$369.23	Exhibit B
2) x Normalization Factor		Exhibit E
3) = Normalized Claims		= (1) x (2)
4) x Benefit Changes		Exhibit F
5) x Morbidity Changes		Exhibit F
6) x Trend Factor		Exhibit F
7) x Other Cost of Care Impacts		Exhibit F
8) = Projected Paid Claim Cost		= (3) x (4) x (5) x (6) x (7)
9) Credibility Weight		
10) Blended Paid Claims		
11) - <u>Non-EHBs Embedded in Line Item 1) Above</u>		
12) = Projected Paid Claims, Excluding ALL Non-EHBs		= (10) - (11)
13) + Rx Rebates		Exhibit G
14) + Additional EHBs		Exhibit G
15) = Projected Paid Claims Reflecting only EHBs	\$440.90	= (12) + (13) + (14)
16) ÷ Paid to Allowed Ratio	0.7792	
17) = Index Rate ^{2}	\$565.84	= (15) / (16)

NOTE:

- {1} Factors above are detailed in subsequent exhibits
- {2} Index Rate is Projected Allowed Claims for EHBs only

Exhibit D - Quarterly Index and Market Adjusted Index Rate Development

Anthem Health Plans of Kentucky, Inc. Small Group

	Rates Effective:				Member Weighted Average
	1Q17	2Q17	3Q17	4Q17	
Renewing Member Weights					100.00%
Quarterly Allowed Trend					
Index Rate ^{1}	\$565.84				\$ 581.66
Reinsurance Contribution ^{2}					
Expected Reinsurance Payments					
Risk Adjustment Fee					
Risk Adjustment Net Transfer					
Marketplace User Fee					
Paid-to-allowed Ratio					
Market Adjusted Index Rate ^{3}	\$535.06				\$ 550.89
Quarterly Premium Trend ^{4}					

NOTES:

{1} The 1Q17 index rate was derived in Exhibit C. The index rate changes each quarter with the quarterly allowed trend as illustrated above.

{2} The details of Risk Mitigation programs are shown in Exhibit H. Marketplace User Fee is explained in the Memo, and also shown in Exhibit I.

{3} Market Adjusted Index Rate = Index Rate + ((Reinsurance + Risk Adjustment + Marketplace User Fee) ÷ Paid-to-allowed Ratio)

{4} The quarterly premium trend reflects quarterly allowed trend, deductible leveraging, and anticipated quarterly changes in risk mitigation programs and non-benefit expenses.

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

Exhibit E - Normalization Factors

Anthem Health Plans of Kentucky, Inc.
Small Group

Rates Effective January 1, 2017

	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 F - Projection Period Adjustments

**Anthem Health Plans of Kentucky, Inc.
Small Group**

Rates Effective January 1, 2017

<i>Impact of Changes Between Experience Period and Projection Period:</i>		
	<u>Experience Rate</u>	
<u>Benefit changes</u>		
EHB Changes		
Network Adjustments		
Rx adjustments		
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		
Other Cost of Care:		
Composite Rating Load		
Total other Cost of Care Impacts		

Note

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

Exhibit G - Other Claim Adjustments

Anthem Health Plans of Kentucky, Inc.
Small Group

Rates Effective January 1, 2017

<i>Other Claim Adjustments</i>	
	<u>PMPM</u>
Rx Rebates	
Additional EHBs	
Pediatric Dental	
Pediatric Vision	
Total - Additional EHBs	
Additional non-EHBs	
CCP Packages	
Non-EHB pmpm (in experience)	
Total - Additional Non-EHBs	

NOTES:

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

Exhibit H - Risk Adjustment and Reinsurance - Contributions and Payments

**Anthem Health Plans of Kentucky, Inc.
Small Group**

Rates Effective January 1, 2017

<u>Risk Adjustment:</u>		
PMPM	User Fee ^{1}	Net Transfer ^{2}
Federal Program		
<u>Reinsurance:</u> ^{3}		
PMPM	Contributions Made	Expected Receipts
Federal Program		
Grand Total of All Risk Mitigation Programs		

NOTES:

{1} For 2017, HHS established a per capita annual user fee rate of \$1.56 per year or \$0.13 per-enrollee-per-month.

{2} Projected risk adjustment transfer amount is explained in the Memorandum "Risk Adjustment and Reinsurance" Section.

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

Exhibit I - Non-Benefit Expenses and Profit & Risk

Anthem Health Plans of Kentucky, Inc. Small Group

Rates Effective January 1, 2017

	Expenses Applied As a PMPM Cost	Expenses Applied as a % of Premium ⁽¹⁾		Expenses Expressed as a PMPM ⁽⁴⁾
Administrative Expenses				
Administrative Costs				
Quality Improvement Expense				
Selling Expense				
Specialty Expenses				
Total Administrative Expenses				\$42.67
Taxes and Fees				
PCORI Fee				
ACA Insurer Fee				
Marketplace User Fee				
MLR-Deductible Federal/State Income Taxes ⁽²⁾				
GAP Fee				
Total Taxes and Fees				\$15.95
Profit and Risk Margin ⁽³⁾				\$14.81
Total Non-Benefit Expenses, Profit, and Risk				\$73.42

NOTES:

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

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

{3} 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.

{4} 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 J - Federal MLR Estimated Calculation

Anthem Health Plans of Kentucky, Inc. Small Group

Rates Effective January 1, 2017

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 15) + Exhibit G (Total Non-EHBs)
 Exhibit I

 Exhibit H
 Exhibit H

 Footnote ^{3}

Denominator:

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

 = **Estimated Federal MLR Denominator**

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

Estimated Federal MLR

NOTES:

- {1} Incurred Claims = Projected Payers Claims for EHB (Exhibit C Line 15) + additional non EHBs (Exhibit G Total Non-EHBs)
- {2} Premiums = Incurred Claims in this exhibit + Risk Mitigation Programs in Exhibit H + Non-Benefit Expenses and Profit & Risk Margin in Exhibit I

{3} This is the amount of 2017 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 2017 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 K - Plan Adjusted Index Rate and Consumer Adjusted Premium Rates

**Anthem Health Plans of Kentucky, Inc.
Small Group**

Rates Effective January 1, 2017

HIOS Plan Name	HIOS Plan ID	Market Adjusted Index Rate (Exhibit D)	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⁾	Adjust to 1Q17 eff date	Consumer Adjusted Premium Rate ⁽⁵⁾
Anthem Bronze Pathway X PPO 5000/30%/6850 Plus	36239KY0980040	\$550.89						\$375.30	1.4359	0.9571	\$250.15
Anthem Bronze Pathway X PPO 5500E/20%/6550 Plus w/HSA	36239KY0980042	\$550.89						\$347.82	1.4359	0.9571	\$231.84
Anthem Silver Pathway X PPO 2000/30%/4750 Plus	36239KY0980044	\$550.89						\$446.52	1.4359	0.9571	\$297.62
Anthem Silver Pathway X PPO 5000/0%/5500 Plus	36239KY0980041	\$550.89						\$446.54	1.4359	0.9571	\$297.64
Anthem Gold Pathway X PPO 1000/20%/5000 Plus	36239KY0980039	\$550.89						\$519.89	1.4359	0.9571	\$346.53
Anthem Gold Pathway X PPO 1250/10%/6000 Plus	36239KY0980043	\$550.89						\$527.78	1.4359	0.9571	\$351.79
Anthem Bronze Blue Access PPO 4500E/50%/6550 w/HSA	36239KY0990068	\$550.89						\$372.60	1.4359	0.9571	\$248.35
Anthem Bronze Blue Access PPO 5500E/20%/6500 w/HSA	36239KY0990066	\$550.89						\$369.97	1.4359	0.9571	\$246.60
Anthem Bronze Blue Access PPO 6550E/0%/6550 w/HSA	36239KY0990067	\$550.89						\$360.50	1.4359	0.9571	\$240.29
Anthem Bronze Pathway PPO 5500E/20%/6550 w/HSA	36239KY0990179	\$550.89						\$347.89	1.4359	0.9571	\$231.88
Anthem Bronze Pathway PPO 6000/30%/6850	36239KY0990177	\$550.89						\$374.99	1.4359	0.9571	\$249.95
Anthem Silver Blue Access PPO 1500/30%/5500	36239KY0990070	\$550.89						\$466.65	1.4359	0.9571	\$311.04
Anthem Silver Blue Access PPO 1750/30%/5500	36239KY0990157	\$550.89						\$463.68	1.4359	0.9571	\$309.06
Anthem Silver Blue Access PPO 1750/40%/6350	36239KY0990065	\$550.89						\$460.67	1.4359	0.9571	\$307.05
Anthem Silver Blue Access PPO 2000/20%/6350	36239KY0990091	\$550.89						\$475.95	1.4359	0.9571	\$317.24
Anthem Silver Blue Access PPO 2000/30%/6350	36239KY0990052	\$550.89						\$459.86	1.4359	0.9571	\$306.51
Anthem Silver Blue Access PPO 2000/40%/6350	36239KY0990160	\$550.89						\$470.38	1.4359	0.9571	\$313.53
Anthem Silver Blue Access PPO 2500/30%/6000	36239KY0990159	\$550.89						\$469.17	1.4359	0.9571	\$312.72
Anthem Silver Blue Access PPO 2700E/20%/5750 w/HSA	36239KY0990163	\$550.89						\$449.70	1.4359	0.9571	\$299.74
Anthem Silver Blue Access PPO 2700E/30%/4500 w/HSA	36239KY0990092	\$550.89						\$454.15	1.4359	0.9571	\$302.71
Anthem Silver Blue Access PPO 5000/20%/6350	36239KY0990064	\$550.89						\$427.47	1.4359	0.9571	\$284.92
Anthem Silver Blue Access PPO 6350E/0%/6350 w/HSA	36239KY0990087	\$550.89						\$374.16	1.4359	0.9571	\$249.39
Anthem Silver Blue Access PPO 2000/50%/6350	36239KY0990171	\$550.89						\$474.66	1.4359	0.9571	\$316.38
Anthem Silver Blue Access PPO 2100/20%/7100	36239KY0990172	\$550.89						\$479.08	1.4359	0.9571	\$319.32
Anthem Silver Blue Access PPO 2700E/20%/4500 w/HSA	36239KY0990170	\$550.89						\$464.21	1.4359	0.9571	\$309.42
Anthem Silver Blue Access PPO 2800E/20%/4000 w/HSA	36239KY0990169	\$550.89						\$468.35	1.4359	0.9571	\$312.18
Anthem Silver Blue Access PPO 2000/0%/7150	36239KY0990187	\$550.89						\$471.80	1.4359	0.9571	\$314.48
Anthem Silver Blue Access PPO 2750/0%/6850	36239KY0990186	\$550.89						\$474.45	1.4359	0.9571	\$316.24
Anthem Silver Blue Access PPO 3000/0%/7000	36239KY0990185	\$550.89						\$467.23	1.4359	0.9571	\$311.43
Anthem Silver Pathway PPO 1750/30%/5500	36239KY0990174	\$550.89						\$444.07	1.4359	0.9571	\$295.99
Anthem Silver Pathway PPO 2500/0%/6850	36239KY0990182	\$550.89						\$448.93	1.4359	0.9571	\$299.23
Anthem Silver Pathway PPO 2500/20%/5000	36239KY0990176	\$550.89						\$445.12	1.4359	0.9571	\$296.69
Anthem Silver Pathway PPO 2500/20%/6350	36239KY0990178	\$550.89						\$440.29	1.4359	0.9571	\$293.47
Anthem Silver Pathway PPO 3500/0%/7150	36239KY0990183	\$550.89						\$421.59	1.4359	0.9571	\$281.01
Anthem Silver Pathway PPO 3575/0%/3575 w/HSA	36239KY0990180	\$550.89						\$426.22	1.4359	0.9571	\$284.09
Anthem Silver Pathway PPO 4000/0%/6000	36239KY0990184	\$550.89						\$424.66	1.4359	0.9571	\$283.05
Anthem Silver Pathway PPO 4750/0%/5500	36239KY0990181	\$550.89						\$438.33	1.4359	0.9571	\$292.16
Anthem Gold Blue Access PPO 1500/20%/6000	36239KY0990062	\$550.89						\$541.50	1.4359	0.9571	\$360.93
Anthem Gold Blue Access PPO 2000/40%/3500	36239KY0990060	\$550.89						\$527.46	1.4359	0.9571	\$351.57
Anthem Gold Blue Access PPO 3750/0%/4750	36239KY0990055	\$550.89						\$506.69	1.4359	0.9571	\$337.73

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

Anthem Health Plans of Kentucky, Inc. Small Group

Rates Effective January 1, 2017

HIOS Plan Name	HIOS Plan ID	Market Adjusted Index Rate (Exhibit D)	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⁾	Adjust to 1Q17 eff date	Consumer Adjusted Premium Rate ⁽⁵⁾
Anthem Gold Blue Access PPO 500/20%/5000	36239KY0990069	\$550.89						\$553.50	1.4359	0.9571	\$368.93
Anthem Gold Blue Access PPO 750/20%/5500	36239KY0990059	\$550.89						\$546.27	1.4359	0.9571	\$364.11
Anthem Gold Blue Access PPO 1000/20%/5000	36239KY0990166	\$550.89						\$563.70	1.4359	0.9571	\$375.73
Anthem Gold Blue Access PPO 1500/20%/4000	36239KY0990165	\$550.89						\$550.51	1.4359	0.9571	\$366.94
Anthem Gold Blue Access PPO 2000/20%/3500	36239KY0990167	\$550.89						\$541.52	1.4359	0.9571	\$360.94
Anthem Gold Blue Access PPO 3000/0%/3500	36239KY0990168	\$550.89						\$535.40	1.4359	0.9571	\$356.87
Anthem Gold Blue Access PPO 500/20%/5500	36239KY0990164	\$550.89						\$559.66	1.4359	0.9571	\$373.03
Anthem Gold Pathway PPO 500/20%/5000	36239KY0990175	\$550.89						\$535.57	1.4359	0.9571	\$356.98
Anthem Platinum Pathway PPO 15/10%/2250	36239KY0990173	\$550.89						\$584.87	1.4359	0.9571	\$389.84
Anthem Bronze Pathway HMO 4500E/50%/6550 w/HSA	36239KY1170025	\$550.89						\$319.16	1.4359	0.9571	\$212.73
Anthem Silver Pathway HMO 1750/40%/6350	36239KY1170028	\$550.89						\$400.82	1.4359	0.9571	\$267.16
Anthem Silver Pathway HMO 2000/50%/6350	36239KY1170029	\$550.89						\$404.70	1.4359	0.9571	\$269.75
Anthem Silver Pathway HMO 5000/20%/6350	36239KY1170027	\$550.89						\$365.60	1.4359	0.9571	\$243.68
Anthem Silver Pathway HMO 5000E/20%/6500 w/HSA	36239KY1170026	\$550.89						\$330.89	1.4359	0.9571	\$220.55
Anthem Silver Pathway HMO 2000/30%/6350	36239KY1170032	\$550.89						\$400.12	1.4359	0.9571	\$266.69
Anthem Silver Pathway HMO 2800E/20%/4000 w/HSA	36239KY1170034	\$550.89						\$406.21	1.4359	0.9571	\$270.76
Anthem Gold Pathway HMO 4000/0%/4000	36239KY1170030	\$550.89						\$464.34	1.4359	0.9571	\$309.50
Anthem Gold Pathway HMO 500/20%/5000	36239KY1170031	\$550.89						\$473.14	1.4359	0.9571	\$315.37
Anthem Gold Pathway HMO 1500/20%/4000	36239KY1170033	\$550.89						\$477.45	1.4359	0.9571	\$318.24
Anthem Bronze Pathway X HMO 4500E/50%/6550 Plus w/HSA	36239KY1180026	\$550.89						\$319.09	1.4359	0.9571	\$212.69
Anthem Silver Pathway X HMO 2000/50%/6350 Plus	36239KY1180027	\$550.89						\$404.63	1.4359	0.9571	\$269.70
Anthem Gold Pathway X HMO 4000/0%/4000 Plus	36239KY1180025	\$550.89						\$455.73	1.4359	0.9571	\$303.76

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 I, with the exception of the Marketplace user fee. The Marketplace user fee has been included in the Market Adjusted Index Rate at the market level.

{3} The Plan Adjusted Index Rate is calculated by multiplying the Market 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 L - Calibration.

{5} The Consumer Adjusted Premium Rate is equal to 'Plan Adjusted Index Rate' divided by 'Calibration Factor' and then multiplied by 'Adjust to 1Q17 effective date' factor.

Exhibit L - Calibration

Anthem Health Plans of Kentucky, Inc. Small Group

Rates Effective January 1, 2017

<i>Average rating factors for 2017 population:</i>	
	Calibration Factors
Age	1.4359
Area	1.0000
Total Calibration Factor{1}	1.4359

NOTES:

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

{2} Age calibration includes adjustments for membership that exceeds the three child dependent cap, as permitted by CMS per 2017 Part 3 Instructions.

Exhibit M - Age and Tobacco Factors

**Anthem Health Plans of Kentucky, Inc.
Small Group**

Rates Effective January 1, 2017

Age	Age Factors	Tobacco Factors
	2017	2017
0-17	0.635	1.000
18	0.635	1.000
19	0.635	1.000
20	0.635	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	1.000
31	1.159	1.000
32	1.183	1.000
33	1.198	1.000
34	1.214	1.000
35	1.222	1.000
36	1.230	1.000
37	1.238	1.000
38	1.246	1.000
39	1.262	1.000
40	1.278	1.000
41	1.302	1.000
42	1.325	1.000
43	1.357	1.000
44	1.397	1.000
45	1.444	1.000
46	1.500	1.000
47	1.563	1.000
48	1.635	1.000
49	1.706	1.000
50	1.786	1.000
51	1.865	1.000
52	1.952	1.000
53	2.040	1.000
54	2.135	1.000
55	2.230	1.000
56	2.333	1.000
57	2.437	1.000
58	2.548	1.000
59	2.603	1.000
60	2.714	1.000
61	2.810	1.000
62	2.873	1.000
63	2.952	1.000
64+	3.000	1.000

NOTES:

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

Exhibit N - Area Factors

Anthem Health Plans of Kentucky, Inc. Small Group

Rates Effective January 1, 2017

Rating Area Description	2017 Area Rating Factor	2016 Area Rating Factor	Change
1 Western KY	1.0129	1.0099	0.3%
2 Owensboro	1.0540	1.0509	0.3%
3 Louisville	0.9326	0.9299	0.3%
4 Southern KY	1.1205	1.1172	0.3%
5 Lexington	0.9656	0.9628	0.3%
6 Northern KY	1.1438	1.1404	0.3%
7 Northeastern KY	1.0227	1.0197	0.3%
8 Southeastern KY	1.0776	1.0744	0.3%

NOTES:

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

Exhibit O - Sample Rate Calculation

**Anthem Health Plans of Kentucky, Inc.
Small Group**

Rates Effective January 1, 2017

Group Name: Sample Group
Effective Date: 1/1/2017
On/Off Exchange: On
Metal Level: Bronze
Plan ID: 36239KY0980042
Rating Area: 01
Group Census:

	Employee		Spouse		Child #1		Child #2		Child #3		Total Number of Children
	Age	Tobacco User	Age	Tobacco User	Age	Tobacco User	Age	Tobacco User	Age	Tobacco User	
Employee #1	24	Yes	23	No	0	No					1
Employee #2	26	No									
Employee #3	28	No									
Employee #4	32	Yes	33	No							
Employee #5	30	No			2	No	4	No			2
Employee #6	45	No	45	No	18	No	15	No	12	No	5
Employee #7	53	Yes	55	Yes							
Employee #8	41	No			16	No	13	No			2
Employee #9	56	No									
Employee #10	39	No			25	Yes					1
Employee #11	62	No									
Employee #12	64	No	64	No							

Calculation of Monthly Premium:

Consumer Adjusted Premium Rate
 x Area Factor
 Rate Adjusted for Area =

\$231.84 Exhibit K
 1.0129 Exhibit N
 \$234.82

Age Factors:

Exhibit M

	Employee		Spouse		Child #1		Child #2		Child #3		Number of Children Rated {1}
	Age Factor	Tobacco Factor									
Employee #1	1.000	1.0000	1.000	1.0000	0.635	1.0000					1
Employee #2	1.024	1.0000									
Employee #3	1.087	1.0000									
Employee #4	1.183	1.0000	1.198	1.0000							
Employee #5	1.135	1.0000			0.635	1.0000	0.635	1.0000			2
Employee #6	1.444	1.0000	1.444	1.0000	0.635	1.0000	0.635	1.0000	0.635	1.0000	3
Employee #7	2.040	1.0000	2.230	1.0000							
Employee #8	1.302	1.0000			0.635	1.0000	0.635	1.0000			2
Employee #9	2.333	1.0000									
Employee #10	1.262	1.0000			1.004	1.0000					1
Employee #11	2.873	1.0000									
Employee #12	3.000	1.0000	3.000	1.0000							

Exhibit O - Sample Rate Calculation

Anthem Health Plans of Kentucky, Inc. Small Group

Rates Effective January 1, 2017

Final Monthly Premium PMPM:

	Employee	Spouse	Children	Total
Employee #1	\$234.82	\$234.82	\$149.11	\$618.75
Employee #2	\$240.46			\$240.46
Employee #3	\$255.25			\$255.25
Employee #4	\$277.79	\$281.31		\$559.10
Employee #5	\$266.52		\$298.22	\$564.74
Employee #6	\$339.08	\$339.08	\$447.33	\$1,125.49
Employee #7	\$479.03	\$523.65		\$1,002.68
Employee #8	\$305.74		\$298.22	\$603.96
Employee #9	\$547.84			\$547.84
Employee #10	\$296.34		\$235.76	\$532.10
Employee #11	\$674.64			\$674.64
Employee #12	\$704.46	\$704.46		\$1,408.92
				\$8,133.93

NOTES:

- {1} 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.
- {2} This sample calculation ignores the tobacco offset under a Wellness Program as described in the Market Reform Rule.
- {3} Minor rate variances may occur due to differences in rounding methodology.

COMPOSITE RATING EXAMPLES

Four-Tier Composite Rating Example:

Coverage	Number	Coverage Type Factor	Total CT Factors	Final Rate {1}	Total Rate
Single	4	1.00	4.00	\$ 370.57	\$ 1,482.27
Employee+Spouse	3	2.00	6.00	\$ 741.13	\$ 2,223.40
Employee+Child(ren)	3	1.85	5.55	\$ 685.55	\$ 2,056.64
Family	2	3.20	6.40	\$ 1,185.81	\$ 2,371.62
Total	12		21.95		\$ 8,133.93

Notes:

- {1} The single rate is equal to the total premium divided by the total contract type factors = \$8,133.93 / 21.95 = \$370.57

Two-Tier Composite Rating Example:

	Member-Rated Premium Excl Tobacco				Final Rate				
	Employee	Spouse	Children	Total	Employee	Spouse	Children	Tobacco Premium	Total
Employee #1	\$234.82	\$234.82	\$ 149.11	\$ 618.75	\$ 394.43	\$ 394.43	\$ 158.74		\$ 947.60
Employee #2	\$240.46			\$ 240.46	\$ 394.43				\$ 394.43
Employee #3	\$255.25			\$ 255.25	\$ 394.43				\$ 394.43
Employee #4	\$277.79	\$281.31		\$ 559.10	\$ 394.43	\$ 394.43		\$ -	\$ 788.86
Employee #5	\$266.52		\$ 298.22	\$ 564.74	\$ 394.43		\$ 317.48		\$ 711.90
Employee #6	\$339.08	\$339.08	\$ 447.33	\$ 1,125.49	\$ 394.43	\$ 394.43	\$ 476.21		\$ 1,265.07
Employee #7	\$479.03	\$523.65		\$ 1,002.68	\$ 394.43	\$ 394.43		\$ -	\$ 788.86
Employee #8	\$305.74		\$ 298.22	\$ 603.96	\$ 394.43		\$ 317.48		\$ 711.90
Employee #9	\$547.84			\$ 547.84	\$ 394.43				\$ 394.43
Employee #10	\$296.34		\$ 235.76	\$ 532.10	\$ 394.43		\$ 158.74		\$ 553.17
Employee #11	\$674.64			\$ 674.64	\$ 394.43				\$ 394.43
Employee #12	\$704.46	\$704.46		\$ 1,408.92	\$ 394.43	\$ 394.43			\$ 788.86
									\$ 8,133.93

Average Adult Rate	\$ 394.43
Average Child Rate	\$ 158.74

Notes:

- {1} As per the Notice of 2016 Benefit and Payment Parameters, the composite premium has been calculated separately for each individual age 21 and older and for each individual under 21
- {2} Anthem currently utilizes a 2-tier composite rating methodology. If the state allows, Anthem will move to instead utilize a 4-tier methodology, with final factors by tier to be prescribed by the state.

Exhibit P - Terminated Products

Anthem Health Plans of Kentucky, Inc.
Small Group

Effective January 1, 2017

Following are the products that will be terminated prior to the effective date:

This includes products that have experience included in the URRP during the experience period and any products that were not in effect during the experience period but were made available thereafter.

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