

## **Part II – Written Description Justifying the Rate Increase**

Anthem Health Plans of Kentucky, Inc.  
Consumer Disclosure for Proposed Health Insurance Rate Increase  
Individual On and Off Exchange Plans  
Rate Change Effective January 1, 2017

### Scope and Range of the Rate Increase

Anthem Health Plans of Kentucky, Inc. has made an application to the Kentucky Department of Insurance for premium rate changes for its fully ACA-compliant Individual health insurance plans. This filing includes an average rate increase of 22.9%, excluding the impact of aging, effective January 1, 2017. At the individual plan level, the rate increases range from 16.8% to 29.5%. This increase will impact approximately 71,000 Kentucky members renewing in 2017 with Anthem. A subscriber's actual rate increase could be higher or lower depending on the benefit plan selected, geographic location, age characteristics, dependent coverage, and tobacco coverage.

### Financial Experience

Anthem expects the proposed rate increase will cover projected medical trends and yield a medical loss ratio of 84.7 percent on an ACA basis, meaning at least eighty four cents of each premium dollar are expected to go to covering our members' medical expenses and improving health care quality. This projected MLR exceeds the minimum MLR requirement of 80% as defined in the Affordable Care Act. In the event Anthem's MLR is less than the Federal required minimum, Anthem will refund the difference to policyholders.

### Drivers of Rate Increase

The primary driver of the rate increase is the continued increase in the cost of health care. This is driven by increases in the price of services, or unit costs, primarily from hospitals, physicians and pharmaceutical companies, coupled with increases in the consumption of services, or utilization, by members. Increases in the unit costs of services are driven by technology advances, general inflationary pressures, new medications such as those that treat Hepatitis C, and a variety of other factors. Changes in utilization of services can be driven by the aging of the population, benefit design, and many other factors.

The Individual ACA market is also experiencing the phase-out of the federal reinsurance program. In 2017, the program will be phased out completely. Premiums must be set to cover the reduced reimbursement, as insurers now assume the entire risk for these high-cost members.

Anthem is committed to working to moderate the impact of rate increases on our members while continuing to provide access to high quality, affordable health care. We are dedicated to working with our members to find health coverage plans that are the most appropriate, beneficial, and affordable for their needs. In addition, we are investing in initiatives to reduce the cost of care, to promote wellness and preventative care, and to work with providers to encourage high-quality, evidence-based care.