

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, 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 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 2017 plan year beginning January 1, 2017, and apply to plans both On-Exchange and Off-Exchange.

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):

KY_OFFHIX_PP(1/17)
KY_ONHIX_PP(1/17)
KY_OFFHIX_HM(1/17)
KY_ONHIX_HM(1/17)

3. Proposed Rate Increase(s)

The proposed annual rate changes by product in this filing range from 22.0% to 25.0%, with rate changes by plan from 16.8% to 29.5%. 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.
- 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 one-year suspension of the Health Insurer Tax for 2017.
- Discontinuance of the Federal Transitional Reinsurance Program, which impacts both payments from and 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.
- Updated adjustment factors for catastrophic plans.
- Changes in some non-benefit expenses that are applied on a PMPM basis.
- Changes in the claim cost relativity by 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 Individual market.

- 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]
[REDACTED] the net earned premium is \$201,728,178 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 \$262,072,013 and \$183,334,973, 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 sales. The sources of new entrants include the previously uninsured population, grandfathered policies migrating to ACA-compliant plans, and previously insured populations from other carriers. The morbidity impacts of population movement are based on the experience period risk score data and estimated risk scores of the projected population. Exhibit E shows the morbidity factor.

- **Changes in Benefits**

Changes in benefits include the following items. Exhibit E 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 network and mail order programs. This adjustment includes the cost impact of removal of required mail order for maintenance medications.

- **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.

- 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 cost 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.

- 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 6,448 members.

To determine credibility, the following formula was used: $\sqrt{\text{experience period members} / 6,448}$

- Resulting Credibility Level Assigned to Base Period Experience

With 31,494 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. 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.

Experience period reinsurance recoveries are estimated by applying the 2015 federal reinsurance parameters to member level incurred claims of the experience period. The 'Net Amt of Rein' reported in Worksheet 2, section III of the URRT reflect the reinsurance recoveries net of reinsurance contributions.

- Projected Risk Adjustments PMPM:

Projection period risk adjustments are estimated based on the HHS payment transfer formula and Anthem's assumptions for 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 C and Exhibit G 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 amount will be \$0.

11. Non-Benefit Expenses and Profit & Risk

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

- Administrative Expense

Administrative Expense contains both acquisition costs associated with the production of new business through non-broker distribution channels (direct, telesales) as well as maintenance costs associated with ongoing costs for the administration of the business. Acquisition costs are based on projected cost per member applied to future sales estimates. 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. [REDACTED]

[REDACTED]

[REDACTED]

- 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 2017, this fee is 0% due to a one-year suspension by the federal government.
- 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 70.8% 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 C.

- Federal income taxes, and state income taxes are also included.
- GAP Assessment: The GAP fee is assumed to be 0.5% for plans by carriers who issue QHPs on exchange in the individual market segment.

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 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.

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 Individual 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 Individual market. The Index Rate reported in Worksheet 1, Section I, cell G17 of the URRT is \$349.00, rounded to the nearest whole dollar as instructed. No benefits in excess of the essential health benefits have been included in this amount. 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 III, cell V44 of the URRT and is also shown in Exhibit C. No benefits in excess of the essential health benefits have been included in this amount.

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 URR on a paid basis. Exhibit C 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 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. This also includes an adjustment for the average tobacco factor shown in Exhibit K.
- 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 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 K 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 48.

- 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 N has the sample rate calculations.

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 J 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, expected new sales and lapses, and anticipated movement from grandfathered 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.

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 differences in the distribution of ages, geography, and benefits that was projected when developing rates versus what actually emerged.

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

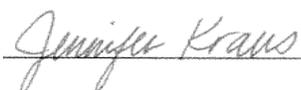
(2) The Index Rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 156.80(d)(2) were used to generate plan level rates.

(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

Exhibit A - Non-Grandfathered Rate Changes

Anthem Health Plans of Kentucky, Inc. Individual

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 Catastrophic Pathway X PPO 7150	36239KY0970023	On	Catastrophic	Pathway X	All	36239KY0970023	Renewing	26.5%	
Anthem Bronze Pathway X PPO 0% for HSA	36239KY0970019	On	Bronze	Pathway X	All	36239KY0970019	Renewing	23.6%	
Anthem Bronze Pathway X PPO 4900	36239KY0970016	On	Bronze	Pathway X	All	36239KY0970016	Renewing	22.4%	
Anthem Bronze Pathway X PPO 6100	36239KY0970015	On	Bronze	Pathway X	All	36239KY0970015	Renewing	25.4%	
Anthem Bronze Pathway X PPO 6000	36239KY0970018	On	Bronze	Pathway X	All	36239KY0970018	Renewing	25.0%	
Anthem Silver Pathway X PPO for HSA	36239KY0970020	On	Silver	Pathway X	All	36239KY0970020	Renewing	26.1%	
Anthem Silver Pathway X PPO 2000	36239KY0970022	On	Silver	Pathway X	All	36239KY0970022	Renewing	23.0%	
Anthem Silver Pathway X PPO 4000	36239KY0970025	On	Silver	Pathway X	All	36239KY0970025	Renewing	16.8%	
Anthem Bronze Pathway PPO 20% for HSA	36239KY1000025	Off	Bronze	Pathway	All	36239KY0970017	New	24.3%	
Anthem Silver Pathway PPO 2500	36239KY1000026	Off	Silver	Pathway	All	36239KY0970021	New	20.7%	
Anthem Silver Pathway PPO 3750	36239KY1000020	Off	Silver	Pathway	All	36239KY1000020	Renewing	17.8%	
Anthem Gold Pathway PPO 1000	36239KY1000024	Off	Gold	Pathway	All	36239KY1000024	Renewing	25.6%	
Anthem Blue Cross and Blue Shield Silver DirectAccess, a Multi-State Plan	36239KY1130005	On	Silver	Pathway X	All	36239KY1130005	Renewing	17.7%	
Anthem Blue Cross and Blue Shield Gold DirectAccess, a Multi-State Plan	36239KY1130006	On	Gold	Pathway X	All	36239KY1130006	Renewing	25.4%	
Anthem Bronze Pathway X HMO 5000	36239KY1140001	On	Bronze	Pathway X HMO	All	36239KY1140001	Renewing	25.7%	
Anthem Silver Pathway X HMO 3500	36239KY1140005	On	Silver	Pathway X HMO	All	36239KY1140005	Renewing	23.5%	
Anthem Silver Pathway X HMO 5300	36239KY1140033	On	Silver	Pathway X HMO	All	None	New	0.0%	
Anthem Gold Pathway X HMO 1450	36239KY1140009	On	Gold	Pathway X HMO	All	36239KY1140009	Renewing	29.5%	
Anthem Silver Pathway HMO 4250	36239KY1150001	Off	Silver	Pathway HMO	All	36239KY1140013	New	23.1%	

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.
Individual

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:			CSR	Total	Member	Total
Medical	Drug	Medical	Drug	Medical	Drug	Capitation	Receivable	Benefit Expense	Months	PMPM
\$93,202,124	\$34,099,325	\$2,139,684	\$135,425	\$95,341,808	\$34,234,750	\$0	(6,816,965)	\$122,759,593	377,926	\$324.82

ALLOWED CLAIMS:										
Incurred and Paid Claims:		IBNR:		Fully Incurred Claims:			CSR	Total	Member	Total
Medical	Drug	Medical	Drug	Medical	Drug	Capitation	Receivable	Benefit Expense	Months	PMPM
\$123,819,532	\$42,827,586	\$2,692,880	\$168,127	\$126,512,412	\$42,995,713	\$0	N/A	\$169,508,124	377,926	\$448.52

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 URRRT include them.
- {2} Drug Claims are processed by an external vendor.

Exhibit C - Market Adjusted Index Rate Development

Anthem Health Plans of Kentucky, Inc. Individual

Rates Effective January 1, 2017

	Experience Rate	
1) Starting Paid Claims PMPM	\$324.82	Exhibit B
2) x Normalization Factor		Exhibit D
3) = Normalized Claims		= (1) x (2)
4) x Benefit 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) + Additional EHBs		Exhibit F
15) = Projected Paid Claims for EHBs	\$404.68	= (12) + (13) + (14)
16) ÷ Paid to Allowed Ratio	0.6843	
17) = Index Rate ^{2}	\$591.38	= (15) / (16)
18) Reinsurance Contribution		Exhibit G
19) Expected Reinsurance Payments		Exhibit G
20) Risk Adjustment Fee		Exhibit G
21) Risk Adjustment Net Transfer		Exhibit G
22) Marketplace User Fee		Exhibit H
23) = Market Adjusted Index Rate ^{3}	\$595.83	= (17)+[(18)+(19)+(20)+(21)+(22)] ÷ (16)

NOTE:

{1} Factors above are detailed in subsequent exhibits

{2} Index Rate is Projected Allowed Claims for EHBs only

{3} The Market 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, 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 E - Projection Period Adjustments

Anthem Health Plans of Kentucky, Inc.
Individual

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		
<u>Total Benefit Changes</u>		
<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:		
Induced Demand for CSR		
Grace Period		
<u>Total other Cost of Care Impacts</u>		

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, 2017

<i>Other Claim Adjustments</i>	
	<u>PMPM</u>
Rx Rebates	
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 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, 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 H - Non-Benefit Expenses and Profit & Risk

Anthem Health Plans of Kentucky, Inc. Individual

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				\$48.83
Taxes and Fees				
PCORI Fee				
ACA Insurer Fee				
Marketplace User Fee				
MLR-Deductible Federal/State Income Taxes ⁽²⁾				
GAP Fee				
Total Taxes and Fees				\$17.34
Profit and Risk Margin ⁽³⁾				\$14.55
Total Non-Benefit Expenses, Profit, and Risk				\$80.72

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 I - Federal MLR Estimated Calculation

Anthem Health Plans of Kentucky, Inc. Individual

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**

Denominator:

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

 = **Estimated Federal MLR Denominator**

Estimated Federal MLR

	Exhibit C (Line 15) + Exhibit F (Total Non-EHBs)
	Exhibit H
	Exhibit G
	Exhibit G
	Footnote ^{3}
	Incurred Claims + Exhibit G (Total) + Exhibit H (Total)
	Exhibit H (Federal/State Income Taxes)
	Exhibit G
	Exhibit G
	Exhibit H (PCORI, ACA and Marketplace Fees)

NOTES:

{1} Incurred Claims = Projected Paid Claims for EHB (Exhibit C Line 15) + 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 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 J - Plan Adjusted Index Rate and Consumer Adjusted Premium Rates

Anthem Health Plans of Kentucky, Inc. Individual

Rates Effective January 1, 2017

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 PPO 7150	36239KY0970023	\$595.83						\$344.16	1.6438	\$209.37
Anthem Bronze Pathway X PPO 0% for HSA	36239KY0970019	\$595.83						\$413.94	1.6438	\$251.82
Anthem Bronze Pathway X PPO 4900	36239KY0970016	\$595.83						\$410.73	1.6438	\$249.87
Anthem Bronze Pathway X PPO 6100	36239KY0970015	\$595.83						\$424.62	1.6438	\$258.32
Anthem Bronze Pathway X PPO 6000	36239KY0970018	\$595.83						\$397.32	1.6438	\$241.71
Anthem Silver Pathway X PPO for HSA	36239KY0970020	\$595.83						\$498.55	1.6438	\$303.30
Anthem Silver Pathway X PPO 2000	36239KY0970022	\$595.83						\$500.48	1.6438	\$304.47
Anthem Silver Pathway X PPO 4000	36239KY0970025	\$595.83						\$479.15	1.6438	\$291.49
Anthem Bronze Pathway PPO 20% for HSA	36239KY1000025	\$595.83						\$417.84	1.6438	\$254.20
Anthem Silver Pathway PPO 2500	36239KY1000026	\$595.83						\$494.80	1.6438	\$301.02
Anthem Silver Pathway PPO 3750	36239KY1000020	\$595.83						\$490.34	1.6438	\$298.30
Anthem Gold Pathway PPO 1000	36239KY1000024	\$595.83						\$652.85	1.6438	\$397.16
Anthem Blue Cross and Blue Shield Silver DirectAccess, a Multi-State Plan	36239KY1130005	\$595.83						\$490.28	1.6438	\$298.27
Anthem Blue Cross and Blue Shield Gold DirectAccess, a Multi-State Plan	36239KY1130006	\$595.83						\$652.78	1.6438	\$397.12
Anthem Bronze Pathway X HMO 5000	36239KY1140001	\$595.83						\$364.87	1.6438	\$221.97
Anthem Silver Pathway X HMO 3500	36239KY1140005	\$595.83						\$437.67	1.6438	\$266.26
Anthem Silver Pathway X HMO 5300	36239KY1140033	\$595.83						\$413.66	1.6438	\$251.65
Anthem Gold Pathway X HMO 1450	36239KY1140009	\$595.83						\$588.12	1.6438	\$357.79
Anthem Silver Pathway HMO 4250	36239KY1150001	\$595.83						\$425.55	1.6438	\$258.89

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 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 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, 2017

<i>Average rating factors for 2017 population:</i>	
	Average Rating Factor
Tobacco	1.0090
Calibration Factors	
Age	1.6438
Area	1.0000
Total Calibration Factor{1}	1.6438
Total Average Rating Factor	1.6586

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 2017 Part 3 Instructions.

Tobacco factors have been adjusted. Refer to Exhibit L - Age and Tobacco Factors.

Exhibit L - Age and Tobacco Factors

Anthem Health Plans of Kentucky, Inc. Individual

Rates Effective January 1, 2017

Age	Age Factors	Tobacco Factors		
	2017	2017	2016	Change
0-17	0.635	1.000	1.000	0%
18	0.635	1.000	1.000	0%
19	0.635	1.000	1.000	0%
20	0.635	1.000	1.000	0%
21	1.000	1.000	1.000	0%
22	1.000	1.000	1.000	0%
23	1.000	1.000	1.000	0%
24	1.000	1.000	1.000	0%
25	1.004	1.000	1.000	0%
26	1.024	1.000	1.000	0%
27	1.048	1.000	1.000	0%
28	1.087	1.000	1.000	0%
29	1.119	1.000	1.000	0%
30	1.135	1.050	1.050	0%
31	1.159	1.050	1.050	0%
32	1.183	1.050	1.050	0%
33	1.198	1.050	1.050	0%
34	1.214	1.050	1.050	0%
35	1.222	1.050	1.050	0%
36	1.230	1.050	1.050	0%
37	1.238	1.050	1.050	0%
38	1.246	1.050	1.050	0%
39	1.262	1.050	1.050	0%
40	1.278	1.050	1.100	-5%
41	1.302	1.050	1.100	-5%
42	1.325	1.050	1.100	-5%
43	1.357	1.050	1.100	-5%
44	1.397	1.050	1.100	-5%
45	1.444	1.050	1.100	-5%
46	1.500	1.050	1.100	-5%
47	1.563	1.050	1.100	-5%
48	1.635	1.050	1.100	-5%
49	1.706	1.050	1.100	-5%
50	1.786	1.100	1.180	-7%
51	1.865	1.100	1.180	-7%
52	1.952	1.100	1.180	-7%
53	2.040	1.100	1.180	-7%
54	2.135	1.100	1.180	-7%
55	2.230	1.100	1.180	-7%
56	2.333	1.100	1.180	-7%
57	2.437	1.100	1.180	-7%
58	2.548	1.100	1.180	-7%
59	2.603	1.100	1.180	-7%
60	2.714	1.100	1.180	-7%
61	2.810	1.100	1.180	-7%
62	2.873	1.100	1.180	-7%
63	2.952	1.100	1.180	-7%
64+	3.000	1.100	1.180	-7%

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, 2017

Rating Area Description	2017 Area Rating Factor	2016 Area Rating Factor	Change
1 Western KY	0.9972	1.0231	-2.5%
2 Owensboro	1.0719	1.0998	-2.5%
3 Louisville	0.9175	0.9414	-2.5%
4 Southern KY	1.0529	1.0803	-2.5%
5 Lexington	0.9635	0.9886	-2.5%
6 Northern KY	1.1280	1.1237	0.4%
7 Northeastern KY	0.9651	0.9903	-2.5%
8 Southeastern KY	1.0858	1.1141	-2.5%

NOTES:

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

{2} The area factor is being increased by 3% in Northern Kentucky based on experience.

Exhibit N - Sample Rate Calculation

Anthem Health Plans of Kentucky, Inc. Individual

Rates Effective January 1, 2017

Name: John Doe
Effective Date: 1/1/2017
On/Off Exchange: On
Metal Level: Silver
Plan ID: 36239KY0970020
Rating Area: 01

Family Members Covered:

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

Calculation of Monthly Premium:

Consumer Adjusted Premium Rate	\$303.30 Exhibit J
<u>x Area Factor</u>	<u>0.9972</u> Exhibit M
Rate Adjusted for Area =	\$302.43

Age/Tobacco Factors:

Exhibit L

	<u>Age Factor</u>	<u>Tobacco Factor</u>
Subscriber	1.563	1.000
Spouse	1.325	1.050
Child (age 21+)	1.004	1.000
Child #1	0.635	1.000
Child #2	0.635	1.000

Final Monthly Premium PMPM:

	<u>PMPM</u>
Subscriber	\$472.70
Spouse	\$420.76
Child (age 21+)	\$303.64
Child #1	\$192.04
Child #2	\$192.04
TOTAL	\$1,581.18

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, 2017

Silver Plan	Projected Membership by Subsidy Level:			
<u>HIOS Standard Component Plan ID</u>	<u>100-150%</u>	<u>150%-200%</u>	<u>200%-250%</u>	<u>Standard</u>
36239KY0970020	416	1,000	604	3,395
36239KY0970022	980	2,357	1,425	6,615
36239KY0970025	657	1,581	955	4,069
36239KY1000026	0	0	0	1,822
36239KY1000020	0	0	0	945
36239KY1130005	458	1,101	666	2,101
36239KY1140005	484	1,164	704	3,056
36239KY1140033	266	641	387	1,223
36239KY1150001	0	0	0	257

Exhibit P - Terminated Products

Anthem Health Plans of Kentucky, Inc.
Individual

Effective January 1, 2017

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