

PART II -- Written description justifying the rate increase

Anthem Health Plans of Kentucky, Inc. (NAIC 95120)
Consumer Disclosure for Proposed Health Insurance Rate Increase
Individual On and Off Exchange Plans
Rate Change Effective January 1, 2021

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 plan products. This increase will impact approximately 45,000 Kentucky insured members renewing on 1/1/2021 with Anthem Health Plans of Kentucky, Inc. At the individual plan level, rate increases range from 5.62% to 17.93%. A subscriber's actual rate increase could be higher or lower depending on the geographic location, age characteristics, dependent coverage, and other factors.

Financial Experience

Anthem Health Plans of Kentucky, Inc. expects the proposed rate increase will cover projected medical trends and yield a medical loss ratio of 84.5%, meaning more than 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 of 84.5%, exceeds the minimum MLR requirement of 80% as defined in the Affordable Care Act (ACA). In the event Anthem Health Plans of Kentucky, Inc.'s MLR is less than the Federal required 80% MLR minimum for a three year period, Anthem will refund the difference to policyholders, consistent with federal regulations.

Drivers of Rate Increase

The primary drivers of premium increases are associated with increased cost of benefit expense for this ACA-compliant block. Increased cost of benefit expense is driven by increases in the price of services primarily from hospitals, physicians and pharmacies, coupled with members increasing their use of health care services, also called "utilization." Increases in the price of services are driven by technological advances, new specialty medications, and a variety of other factors. Increased utilization is driven by member level utilization and selection patterns in the Guaranteed Issue, Community Rated ACA market.

Another driver of the 2021 increase is costs related to the COVID-19 pandemic. Included in the 2021 rate is the expected rebound of elective procedures deferred in 2020. The typical market morbidity deterioration will be more pronounced in 2021 due to the uncertain economic conditions, loss of group coverage, and income loss.

Efforts to Control Costs

Anthem Health Plans of Kentucky, Inc. is committed to working to hold down the cost of insurance and price the Individual ACA market for long term sustainability. We continue to explore innovative collaboration with providers and negotiate deeper discounts at our hospitals. And we provide members with tools to make informed decisions about where and how to receive treatment. In light of emerging costs, 2021 premium increases are needed to price Anthem Health Plans of Kentucky, Inc.'s ACA-compliant Individual health plan products for long-term sustainability.