

## Actuarial Memorandum and Certification

### Effective January 1, 2022

The purpose of this actuarial memorandum and certification is to provide information related to Molina Healthcare of Kentucky, Inc.'s (Molina) Part I Unified Rate Review Template (URRT) submission to the Kentucky Marketplace Individual Marketplace (Kynect - KY State-Based Exchange).

The actuarial memorandum and certification describe Molina's rating methodology used to develop rates for Individual health benefit plans offered on the Kentucky Marketplace effective January 1, 2022. Molina will not market Individual products outside of the Kentucky Marketplace.

Molina Healthcare of Kentucky, Inc. is a managed care organization that provides healthcare services for individuals eligible for Medicaid, Medicare, and Marketplace throughout the State of Kentucky. Molina Healthcare of Kentucky, Inc. is a licensed state health plan managed by its parent corporation, Molina Healthcare, Inc.

Molina Healthcare, Inc., a FORTUNE 500 company, provides managed health care services under the Medicaid and Medicare programs and through the state insurance marketplaces. Through our locally operated health plans in 18 states across the nation and in the Commonwealth of Puerto Rico, Molina serves more than 4.6 million members. Dr. C. David Molina founded our company in 1980 as a provider organization serving low-income families in Southern California. Today, we continue his mission of providing high quality and cost-effective health care to those who need it most.

The 2022 premium rates supported by this Actuarial Memorandum were developed based on ACA statutes and regulations, and the relevant KY State statutes and regulations. The premium rates assume the cost-sharing reduction subsidies won't be funded and advance premium tax credit will continue to be available for eligible members for the 2022 plan year. In addition, **the premium rates include the anticipated impact of COVID-19 and the American Rescue Plan.**

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## GENERAL INFORMATION

This is a new rate filing as Molina proposes to enter KY Marketplace for individual health insurance effective January 1, 2022.

In conjunction with providing information in support of Molina's Part I URRT, this actuarial memorandum provides information and clarification outlined in 806 Ky. Admin. Regs. (KAR) 17:150.

### Actuarial Qualifications

I, Yaohua Ji, am an employee of Molina Healthcare, Inc. I am a member of the American Academy of Actuaries in good standing and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this memorandum.

### Effective Date

The proposed rates are for effective January 1, 2022 through December 31, 2022.

### Company Identifying Information

The information below documents the company identifying and contact information entered into the general information section of Worksheet 1 of the Unified Rate Review Template (URRT).

Company Identifying Information	
Legal Name:	Molina Healthcare of Kentucky, Inc.
State:	Kentucky
HIOS Issuer ID:	73891
Market:	Kentucky Individual Marketplace
Effective Date:	January 1, 2022

### Company Contact Information

Company Contact Information	
Contact Name:	Yaohua Ji
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## PROPOSED RATE INCREASE(S)

This is not applicable. Molina is a new issuer entering Kentucky effective January 1, 2022 and plans to offer individual marketplace health benefit plans to the population in three counties in the State of Kentucky. Molina plans to offer health benefit plans through Kynect.

## RATE DEVELOPMENT AND MARKET EXPERIENCE

Per 45 CFR part 156, §156.80, Molina's rate development is through Single Risk Pool methodology and manual rate development. The manual rating method starts in Section "Manual Rate Adjustments".

In addition, Sections of rating methodology and rating information are included to meet the requirements under 806 KAR 17:150, which may not be directly related to Part I URRT.

### State Mandated Benefits

Per Section 6 (2) (c) 1 of 806 KAR 17:150, the premium rates include the State mandated benefits. These mandates have been included in Molina's benefit offering as covered benefits and included in 2022 pricing. These benefits are expected to have a very low utilization in Kentucky and their impact within the proposed rates is expected to be very small:

- a. Coverage for amino acid modified preparations and low-protein modified food products for the treatment of inherited metabolic disorders in accordance with KRS 304.17A-139(4): Negligible
- b. Hearing aids and related services in accordance with KRS 304.17A-132: [REDACTED]
- c. Anesthesia and hospital or ambulatory surgical facility services in connection with dental procedures in accordance with KRS 304.17A-149: Negligible
- d. Medical and surgical benefits with respect to mastectomies pursuant to KRS 304.17A-134: Negligible

### Experience and Current Period Premium, Claims and Enrollment

Molina is a new issuer and there is no prior Molina experience available in the State of Kentucky. The requirements of experience data under Section 6 (2) (c) 2 c of 806 KAR 17:150 is not applicable.

## Benefit Categories

In the rate development, all claims were assigned to benefit categories utilizing Milliman's MedInsight Health Cost Guidelines (HCG) grouper. The following table displays the measurement units related to each benefit category.

Benefit Categories	
Benefit Category	Description
Inpatient Hospital	Days
Outpatient Hospital	Visits
Professional	Services
Other Medical	Services
Capitation	Benefit Period
Prescription Drug	Prescriptions

## Projection Factors

Not Applicable.

## Manual Rate Adjustments

The manual rate was developed using 2020 Individual Marketplace experience data from Molina Healthcare of Texas. The sections below also describe the rating methodology and claim cost development required in Section 6 (2) (c) 2 of 806 KAR 17:150.

### *Source and Appropriateness of Manual Rate Used*

The source of data is appropriate because it is Molina's marketplace experience data in a state with similar management, network contracting, and population.

Molina Healthcare of Texas had [REDACTED] average members or [REDACTED] average members in 2020 and provides credible experience to serve as the basis for the Kentucky rate development.

The manual EHB allowed claims PMPM reported in Worksheet 1, Section II of the URRT represents the adjusted manual rate for the 2022 plan year.

### Manual Allowed and Incurred Claims in Experience Period:

The following table reports the allowed and incurred claims during the experience period of January 1, 2020 to December 31, 2020.

2020 Experience Period Claims (paid through Month 2021)					
Item	Description	Medical	Pharmacy	Capitation	Total
a	Allowed				
b	IBNR for allowed				
c = a x b	Allowed w IBNR				
a	Allowed				
d	Member Cost Share				
e = a + d	Subtotal				
f	IBNR				
g = e x f	Subtotal				
h	Cost Share Reduction				
i = g + h	Incurred Claims				

Allowed claims for the experience period were calculated by adding the plan incurred paid claims and the member cost-sharing for medical and pharmacy claims. The allowed claims calculation applies to both fee-for-service claims and capitation costs.

Completion factors were applied to both the allowed and incurred medical claim amounts. The completion factors were developed separately for inpatient and non-inpatient medical claims based on Molina's Kentucky Marketplace data. The IBNR factor applied to the allowed and incurred claims [REDACTED]. IBNR factors were not applied to capitation and pharmacy claims.

All medical claims are paid through the claims system. Pharmacy claims are processed through a pharmacy benefit manager.

### *Adjustments Made to the Data*

This section discusses the adjustments made to the data and the assumptions in Section 6 (2) (c) 2 b of 806 KAR 17:150.

### Trend Factors:

Trend factors were applied separately for unit cost and utilization and by each major benefit category. The annual claims trends were used to trend the manual rate forward 24 months from the midpoint of the base period, July 2020, to the midpoint of the projection period, July 2022.

Utilization and unit cost trends were developed through a review of the allowed claims experience from Molina's Texas Marketplace population and Molina's enterprise-wide Marketplace population. The utilization data was normalized using concurrent risk scores from Milliman's MARA (Milliman Advanced Risk Adjusters) risk model for each service category to account for differences in demographics and health status between the two comparison periods. In addition, we used actuarial judgment in choosing the projected utilization trends. Unit cost trends include the anticipated increases to Medicare fee schedule from 2020 experience period to 2022 projection period. The chart below shows each annual trend by category of service.

Annual Claims Trends — Manual Rate			
Benefit	Utilization	Unit Cost	Total
IP			
OP			
Prof			
Other			
Rx			
Cap			
Total			

### Morbidity Adjustment/Utilization or Cost-Per-Service Change

The population morbidity adjustment is comprised of an acuity factor that represents anticipated differences in acuity between Molina Healthcare of Texas Individual Marketplace members in 2020 and Molina Healthcare of Kentucky members in 2022. This adjustment factor reflects the change of utilization and/or cost-per-service.

The acuity of Molina's covered population in Kentucky is expected to be greater than the Texas experience used in the manual rate development. A factor of 1.041 was applied to reflect the difference in statewide average Plan Liability Risk Score (PLRS) values between Texas and Kentucky. The [REDACTED] factor was generated by comparing the average difference in PLRS values from 2020 and 2022.

Morbidity Adjustment									
Risk Score	Member Mix		Normalized Allowed Costs by Service Category						Total
	Experience Period	Projection Period	HIP	HOP	Prof	Other	Rx	Cap	
<b>Total</b>	<b>100%</b>	<b>100%</b>							
	a	2020							
	b	2022							
	c = b / a	Adjustment							

### Demographic Change/Shift:

A demographic adjustment factor was applied to the manual rate to reflect changes in allowed claims due to difference in demographic mix from TX 2020 experience data to KY 2022 projected period.

The anticipated demographic mix is based on the review of TX marketplace 2020 enrollment and projected KY marketplace 2022 enrollment. The demographic adjustment factors were developed using allowed claims by age cohorts normalized for difference in metal and acuity. Demographic adjustments were not made to capitation costs. The total demographic adjustment to 2020 manual experience data was [REDACTED].

Population Morbidity Adjustment			
Age	Member Mix		Demographic Factor
	TX Experience Period	Projection Period	
0-14			
15-20			
21-24			
25-29			
30-34			
35-39			
40-44			
45-49			
50-54			
55-59			
60-64			
65+			
Total	100.0%	100.0%	
	a	2020	
	b	2022	
	c = b / a	Adjustment	

### Benefit / Plan Changes

**Plan Mix Adjustment:** A plan mix adjustment factor was applied to the manual rate to reflect changes in allowed claims due to differences in membership mix by benefit plan and metal. The following table contains enrollment by metal for the 2020 enrollment in Molina Healthcare of Texas in 2020 and the projected 2022 enrollment in Kentucky. The weighted allowed PMPMs of TX in 2020 experience period enrollment is to compare to the expected allowed PMPMs enrollment in Kentucky to derive the plan-metal mix adjustment. In addition, Molina does not offer bronze plans in KY and it's expected the allowed PMPMs of Silver would be lower assuming bronze members moving to Silver. The plan-mix adjustment is estimated to be [REDACTED].

Metal Tier	TX Base Members	TX Member Mix	TX Allowed PMPM	Proj Mem Mix	Allowed PMPM
Gold					
Silver					
Bronze					
Total					
				Plan-Metal Adj.	

### Other Adjustments

**COVID Adjustment Factor:** The methodology for the adjustment is described at the end of the memorandum in the section titled “COVID-19 Impact on 2022 Rates.” We estimated that the Molina Texas allowed claims in 2020 would have been [REDACTED] lower in the absence of COVID-19, so we applied a [REDACTED] adjustment factor to the 2020 data.

**Internal Reinsurance Adjustment:** The expected costs of coverage for an internal reinsurance program were applied to the projection period. The adjustment factor is estimated to be [REDACTED].

**Change in provider contracts (Unit Cost Adjustment):** The [REDACTED] adjustment factor represents the projected differences in unit costs between Molina’s provider network in Texas and Kentucky.

Unit Cost Adjustment - TX vs. KY					
HIP	HOP	Prof	Other	Rx	Total

**Rx Utilization Adjustment:** The [REDACTED] adjustment factor represents the projected pharmacy utilization increase from Kentucky Insulin cost sharing limit due to the pass of recent legislation in the State of Kentucky.

Rx Utilization Adjustment - KY Insulin Cost Sharing Limit					
HIP	HOP	Prof	Other	Rx	Total

**Change in medical management:** The medical management is expected to be similar. No adjustment factor is expected.

The following table summarizes the adjustments made to the manual rate data.

Index Rate Adjustment	Factors

### *Inclusion of Capitation Payments*

All capitated payments are included in the manual rate development.

### *Credibility of Experience*

Molina calculated the credibility percentage to apply to the experience data based on the experience period member months and the credibility formula below:

Molina Credibility Table			
Member Months		Experience Period	Manual Rate
Low	High	Weight	Weight

Molina's 2020 experience in Part I of URRT is based on 0 member months, resulting in a credibility percentage of 0.0%. This method is consistent with the applicable American Academy of Actuaries' Actuarial Standards of Practice (ASOP) No. 25 Credibility Procedures.

### *Establishing the Index Rate*

**Index Rate:** The index rate is developed following the specifications of 45 CFR part 156.80(d)(1). The index rate for the projection period is estimated to be [REDACTED]. The index rate represents the estimated total allowed claims experience for the essential health benefits (EHB) within the Kentucky

Marketplace. The index rate does not include adjustments for the risk adjustment and reinsurance programs or an adjustment for the Kentucky Marketplace user fee.

The projected EHB allowed claims in Worksheet 1, Section II of the URRT is [REDACTED], which is consistent with the Projected Allowed Claims PMPM in the exhibit below.

Index Rate		
Item	Description	Allowed Claims
a	Base Experience Period Index Rate	
b	Utilization Trend (Annual)	
c	<u>Unit Cost Trend (Annual)</u>	
$d = a \times b^2 \times c^2$	Trended Index Rate	
e	Morbidity Adjustment	
f	Demographic Shift	
g	Plan Design Changes	
h	<u>Other Incl Covid</u>	
$i = \text{product}(d:h)$	Index Rate	
$l = i + j$	<u>Non-EHB</u>	
$k = l + m$	Projected Allowed Claims	

## Development of the Market-wide Adjusted Index Rate

### Reinsurance

Not Applicable.

### Risk Adjustment Payments and Charges

#### Projected Risk Adjustments PMPM:

The risk transfer estimates for 2022 were developed using 2020 Individual Marketplace experience data from Molina Healthcare of Texas. The 2022 risk transfer estimates were developed projecting 2021 relative risk scores and transfer payments, then projecting 2022 relative risk scores and transfer payments. The newly released CMS 2020 risk adjustment transfer in TX has been updated in the risk adjustment projection as the base data.

2021 and 2022 results were projected as followed:

- 2021 Members – 2021 relative risk score projections by metal tier were assumed to be equal to the relative risk scores from 2020 Individual Marketplace experience data from Molina Healthcare of Texas.
- 2022 Members – Molina assumed the 2022 members would have the same relative risk scores as the 2021 members, with consideration for differences in metal tier mix between the two years.

The risk transfer payment amounts in the projection period reflect expected changes in the relative risk of the population and changes to the statewide premium. The following table summarizes the development of the 2022 risk transfer estimate.

Risk Transfer Estimate				
$T_i = \left[ \frac{PLRS_i \cdot IDF_i \cdot GCF_i}{\sum_i (s_i \cdot PLRS_i \cdot IDF_i \cdot GCF_i)} - \frac{AV_i \cdot ARF_i \cdot IDF_i \cdot GCF_i}{\sum_i (s_i \cdot AV_i \cdot ARF_i \cdot IDF_i \cdot GCF_i)} \right] \bar{P}_s \times 86\%$				
Item	Term	Description	Molina	Statewide
a	$PLRS_i$	Plan Liability Risk Score		
b	$IDF_i$	Induced Demand Factor		
c	$GCF_i$	Geographic Cost Factor		
d = a x b x c		PLRS x IDF x GCF		
e = d(Molina) / d(Statewide)		Molina Relativity		
f	$AV_i$	Actuarial Value		
g	$ARF_i$	Allowable Rating Factor		
h	$IDF_i$	Induced Demand Factor		
i	$GCF_i$	Geographic Cost Factor		
j = f x g x h x i		AV x ARF x IDF x GCF		
k = j(Molina) / j(Statewide)		Molina Relativity		
l = e - k				
m	$\bar{P}_s$	Statewide Average Premium		
n = m x 86%		Statewide Average Premium Adjusted		
o = l x n		Molina Risk Transfer Estimate		
p		National High-Risk Pool Fund		
q = o + p		Total Risk Transfer		

The impact of the national high-risk pool fund was incorporated using our claims experience and a white paper report from Wakely on the estimated high-cost risk pooling charges based on

information voluntarily provided by issuers. The net impact of estimated charges and recoveries was calculated as [REDACTED] PMPM.

The resulting 2022 risk transfer receivable estimate is [REDACTED] PMPM. An amount of [REDACTED] PMPM was subtracted for the projected national high-risk pooling funding for a total risk adjustment receivable estimate of [REDACTED] PMPM. This amount was converted from a paid to allowed basis and entered in the URRT Worksheet I, Section II.

The risk transfer payment amounts in the projection period reflect expected changes in the relative risk of the population and changes to the statewide premium. The [REDACTED] administrative cost reduction is factored into the transfer estimates.

### Exchange User Fee

Kentucky Marketplace (Kynect) is a State-based exchange, which is fully funded by KY GAP assessment fund and no exchange fee is included in the rate development.

**The market adjusted index rate** is developed following the specifications of 45 CFR part 156.80(d)(1). Molina modified the index rate provided in URRT Worksheet I to a market adjusted index rate as follows:

Market Adjusted Index Rate					
Item	Description	Paid Basis	Adjustment	Allowed Basis	Comments
a	URRT Index Rate				URRT, Worksheet 1
b	Reinsurance				
c	Risk Adjustment				
d	Exchange Fee				See Taxes & Fees
e	Market Adjusted Index Rate				e = a + b + c + d

### Plan Adjusted Index Rate

The plan adjusted index rates are developed following the specifications of 45 CFR part 156.80(d)(2). The plan adjusted index rates are entered in Worksheet 2, Section IV, of the URRT Template. Molina calculated the plan adjusted index rates by applying plan specific level adjustments for actuarial value, cost sharing utilization, additional benefits, and administrative costs, excluding exchange user fees, to the market adjusted index rate.

Plan Adjusted Index Rates										
Plan ID	Metal	Market Adjusted Index Rate	Actuarial Value	Cost Sharing Adj.	Provider Network Adjustment	Benefits in Addition to EHBs	Subtotal	Admin Costs	Catastrophic Adjustment	Plan Adjusted Index Rate
a	b	c	d	e	f	g	h = product(c,g)	i	j	k = h / (1 - i) *
73891KY0010001	Gold									
73891KY0010002	Silver									
73891KY0010008	Silver									
73891KY0010004	Silver									
73891KY0020001	Gold									
73891KY0020002	Silver									
73891KY0010007	Silver									

#### **Paid to Allowed Ratio:**

The Paid to Allowed ratio reflects the estimated cost-sharing in the projected period. The actuarial value (AV) for each product was based on Molina's actual claims experience and was adjusted based on expected cost-sharing differences between the 2020 Texas and 2022 Kentucky plans.

This rate methodology assumes the Cost Sharing Reduction subsidies are not funded. The Paid to Allowed ratios for the Silver 100, Silver 150 and Silver 200 plans represent the amounts without the Cost Sharing Reduction subsidies.

The Paid to Allowed ratio is the average of the AVs weighted by projected allowed claim costs. The table below documents the Paid to Allowed ratio factor entered in the URRT, Worksheet I, Section III.

Paid to Allowed Ratio							
Plan ID	Product Name	Metal	FPL	Member %	Projected Allowed PMPM	Paid to Allowed	Calibrated Paid to Allowed
a	b	c	d	e	f	g	k = g*j
73891KY0010001	Molina Healthcare	Gold	Base				
73891KY0010002	Molina Healthcare	Silver	Base				
73891KY0010002	Molina Healthcare	Silver	CSR 200-250				
73891KY0010002	Molina Healthcare	Silver	CSR 150-200				
73891KY0010002	Molina Healthcare	Silver	CSR 100-150				
73891KY0010008	Molina Healthcare	Silver	Base				
73891KY0010008	Molina Healthcare	Silver	CSR 200-250				
73891KY0010008	Molina Healthcare	Silver	CSR 150-200				
73891KY0010008	Molina Healthcare	Silver	CSR 100-150				
73891KY0010004	Molina Healthcare	Silver	Base				
73891KY0010004	Molina Healthcare	Silver	CSR 200-250				
73891KY0010004	Molina Healthcare	Silver	CSR 150-200				
73891KY0010004	Molina Healthcare	Silver	CSR 100-150				
73891KY0020001	Molina Healthcare +Vision	Gold	Base				
73891KY0020002	Molina Healthcare +Vision	Silver	Base				
73891KY0020002	Molina Healthcare +Vision	Silver	CSR 200-250				
73891KY0020002	Molina Healthcare +Vision	Silver	CSR 150-200				
73891KY0020002	Molina Healthcare +Vision	Silver	CSR 100-150				
73891KY0010007	Molina Healthcare	Silver	Base				
73891KY0010007	Molina Healthcare	Silver	CSR 200-250				
73891KY0010007	Molina Healthcare	Silver	CSR 150-200				
73891KY0010007	Molina Healthcare	Silver	CSR 100-150				
Total	Total	Total					
h	Member Weighted Average						
i	Dollar Weighted Average						
j = i/h	Calibration Factor						

### AV and Cost Sharing Design:

The tables below show the details of Molina's AVs and Cost Sharing Design (CSD) adjustment factors. CSD factors were developed by a combination of the HHS CSD factors and factors developed from Molina's 2020 enterprise-wide Marketplace data. The CSD factors from Molina's enterprise-wide data was derived by comparing 2020 relative claims costs by metal tier, normalized for age factor,

geographic mix and risk scores. The results of those CSD factors were blended [REDACTED] with the HHS CSD factors.

Actuarial Value and Cost Sharing Adjustment					
Plan ID	Product Name	Metal	Member	Actuarial Value	Cost Sharing Adj.
73891KY0010001	Molina Healthcare	Gold			
73891KY0010002	Molina Healthcare	Silver			
73891KY0010008	Molina Healthcare	Silver			
73891KY0010004	Molina Healthcare	Silver			
73891KY0020001	Molina Healthcare +Vision	Gold			
73891KY0020002	Molina Healthcare +Vision	Silver			
73891KY0010007	Molina Healthcare	Silver			
Total					

**Provider Network, Delivery System Characteristics, and Utilization Management Practices:** Rates do not vary for variations in provider network, delivery system characteristics, and utilization management.

**Benefits In Addition to EHB:** Molina provides an Adult Vision benefit as an optional benefit for the Molina Healthcare + Vision product (Plan IDs beginning with 73891KY002) which is priced at cost \$[REDACTED] PMPM.

Worksheet 2, Section IV of the URRT shows the Adult Vision Optional Benefit in the “Other benefits portion of Total Premium” and “Other benefits portion of Total Allowed Claims”.

**Administrative costs, excluding Exchange User Fees:**

Molina applied all administrative costs by PMPMs. The table below displays the administrative PMPMs as a percentage of premium.

Administrative Costs Excluding Exchange Fee							
Plan ID	Metal	Admin. Expense Load	Profit Margin	Risk & Contingency	Taxes & Fees (excl. Exchange Fee)	Total	Admin. Factor
a	b	c	d	e	f	g = sum (c:f)	h = 1 / (1-g)
73891KY0010001	Gold						
73891KY0010002	Silver						
73891KY0010008	Silver						
73891KY0010004	Silver						
73891KY0020001	Gold						
73891KY0020002	Silver						
73891KY0010007	Silver						
Total							

**Catastrophic plans:**

Not Applicable.

**Non-Benefit Expenses and Profit & Risk:**

**Administrative Expense Load:** Administrative costs were developed and applied on a PMPM basis. Amounts for broker commissions were added to the administrative costs. The expected administrative expense load is ████%.

Administrative Expense Load		
Description	PMPM	% of Premium
Corporate and Plan Expense		
Bank Service Charges		
Quality Expenses		
Broker Commissions		
Other Expenses		
Total		

The administrative expense PMPM load is consistent by metal tier as shown in the table below.

Administrative Expense Load								
Plan ID	Metal	Corporate & Plan Expense	Bank Service Charges	Quality Expenses	Broker Commissions	Other Expenses	Total	% of Premium
a	b	c	d	e	f	g	h = sum (c:g)	
73891KY0010001	Gold							
73891KY0010002	Silver							
73891KY0010008	Silver							
73891KY0010004	Silver							
73891KY0020001	Gold							
73891KY0020002	Silver							
73891KY0010007	Silver							
Total								

**Broker Commissions:** Molina expects broker commissions of [REDACTED] PMPM in 2022, based on a projection of members sold through the broker channel.

Commission Estimate				
Policy Year	Cohort	Broker Sold %	Commission \$	Commission PMPM
2022	New Members (Open Enrollment)			
	New Members (Special Enrollment)			
	Renewal Members (Open Enrollment)			
	Renewal Members (Special Enrollment)			
	Total			

**Profit & Contingency Margin:** Molina's target after-tax margin is [REDACTED]

#### Taxes and Fees:

In the premium rates, Molina assumes [REDACTED] GAP assessment fee pursuant to KRS 304.17B-021. Molina also assumes [REDACTED] of premium as federal income taxes. Molina's estimate of total taxes and fees is [REDACTED] of premium.

Taxes and Fees		
Taxes and Fees	PMPM	% of Premium
Health Insurer Fee		
Risk Adjustment User Fee		
GAP Assessment Fee		
Federal Taxes		
Exchange Fee		
Total Taxes and Fees		
Single Risk Pool Premium		
Total Taxes & Fees Excl. Exchange Fee		

Taxes and Fees vary by metal tier as shown in the table below.

Taxes and Fees								
Plan ID	Metal	Health Insurer Fee	Risk Adjustment User Fee	Gap Fee & Other Fees	Federal Taxes	Exchange Fee	Total	% of Premium
a	b	c	d	e	f	g	h = sum (c:g)	
73891KY0010001	Gold							
73891KY0010002	Silver							
73891KY0010008	Silver							
73891KY0010004	Silver							
73891KY0020001	Gold							
73891KY0020002	Silver							
73891KY0010007	Silver							
Total								

## Calibration

**Age Curve Calibration:** Molina calibrated the Plan Adjusted Index Rates to an age 21 rate. Molina estimates the average composite age factor by multiplying the expected age distribution by the age factors. The calibration factor of [REDACTED] equals the age factor at age 21 divided by the average age factor [REDACTED]. Please note an additional adjustment was implemented in the age calibration process to account for the dependent cap where only the 3 eldest children's premiums contribute to the family premium.

Age Curve Calibration								
Age	Member %	Age Factor	Age	Member %	Age Factor	Age	Member %	Age Factor
0 - 14*		0.000	31		1.159	49		1.706
0 - 14		0.765	32		1.183	50		1.786
15		0.833	33		1.198	51		1.865
16		0.859	34		1.214	52		1.952
17		0.885	35		1.222	53		2.040
18		0.913	36		1.230	54		2.135
19		0.941	37		1.238	55		2.230
20		0.970	38		1.246	56		2.333
21		1.000	39		1.262	57		2.437
22		1.000	40		1.278	58		2.548
23		1.000	41		1.302	59		2.603
24		1.000	42		1.325	60		2.714
25		1.004	43		1.357	61		2.810
26		1.024	44		1.397	62		2.873
27		1.048	45		1.444	63		2.952
28		1.087	46		1.500	64+		3.000
29		1.119	47		1.563	Total	100.0%	
30		1.135	48		1.635	Adj Fx	1 / Total	

*\*% of membership impacted by the 3 children under age 21 dependent cap.*

The average age of the single risk pool is estimated to be 43 years of age, calculated by multiplying the expected age distribution percentages by the age. An average age of 8 was assumed for the age 0-14 cohort in the average age estimate. Premium rates are based on the attained age as of the coverage effective date and will not be re-rated/adjusted when a birthday occurs during the year after the coverage starts.

**Geographic Factor Calibration:** Geographic factors were applied to the index rate in the calculation of region-specific rates. The geographic factors are based on the provider reimbursement expectations in each region and do not include the impact of morbidity. The calibration factor is 1.000.

Geographic Factor Calculation			
Geographic Region	Members	Allowed Claims	Geographic Factor
Region 3			
Total			
Calibration		1 / Total	1.000

**Tobacco Factor Calibration:** This is not applicable and Molina do not rate up for tobacco use.

## Consumer Adjusted Premium Rate Development

The Consumer Adjusted Premium Rates are calibrated to an age 21 premium with an area factor of 1.00. Only the allowable rating factors will be applied to the Consumer Adjusted Premium Rates. An example in the next section and a document identified as “Molina Rates 2022\_KY” demonstrate how allowable consumer level adjustment are applied to the Consumer Adjusted Premium Rates to determine the premiums.

Calibrated Plan Adjusted Index Rates						
Plan ID	Metal	Plan Adjusted Index Rate	Age Calibration	Area Calibration	Tobacco Calibration	Consumer Adjusted Premium Rate
a	b	c	d	e	f	g = product (c:f)
73891KY0010001	Gold					
73891KY0010002	Silver					
73891KY0010008	Silver					
73891KY0010004	Silver					
73891KY0020001	Gold					
73891KY0020002	Silver					
73891KY0010007	Silver					
Total						

## Base Premium Rate, Rating Factors and Other State Required Information

Per Section 6 (2) (c) 3 a of 806 KAR 17:150, Molina describes the base premium rates and others.

- i) **Base Premium Rate:** The tables below describe the market-level base rate and Plan-level base rate. Member-level rates are calculated by multiplying the market-level base rate with rating factors of age factor, geographic area factor of the member and AV pricing factor of the benefit plan selected, or by multiplying the plan level base rate with rating factors of age factor, geographic area factor of the member.

Item	Description	Rate/Factor
a	Market Adjusted Index Rate	
b	Age Calibration	
c	Geographic Calibration	
d	Market-level Base Rate	

Plan ID	Metal Tier	Market-Wide Base Rate	AV	Plan Level Base Rate
73891KY0010001	Gold			
73891KY0010002	Silver			
73891KY0010008	Silver			
73891KY0010004	Silver			
73891KY0020001	Gold			
73891KY0020002	Silver			
73891KY0010007	Silver			

- ii) **Index Rates:** See the above sections of index rate, market-wide adjusted index rate and plan adjusted index rates.
- iii) **Corresponding Highest Premium Rates:** [REDACTED] pmpm is the highest member premium rate for 64+ years old living in the three Molina's active counties of Region 3, who selects Confident Care Gold 1 + Vision plan.
- iv) There is no Standard plan option.

For Section 6 (2) (c) 3 b-c of 806 KAR 17:150, Molina only offers individual HMO benefit plans and it's one product type and one class of business.

For Section 6 (2) (c) 4 of 806 KAR 17:150, Molina does not have any existing GAP enrollees.

For Section 6 (2) (c) 5 of 806 KAR 17:150, Molina's rating factors include age factor, geographic area factor and benefit AV pricing factor.

Age factors are defined in 45 CFR Part 156, and it's included in Section of Age Curve Calibration. The highest age factor is 1.00 and lowest adult age factor is 1.00 and children factor starts at 0.765. The geographic area factor is included in Section of Geographic Factor Calibration and is 1.00 for Region 3. Geographic region is consistent with the eight (8) identified in HIPMC-R33.

The benefit AV pricing factors are included in Section of "AV Pricing Values" below with the highest of [REDACTED] and the lowest of [REDACTED]. There are no other rating factors based on gender, family tier, industry/occupation or healthy lifestyle discount factor.

The table below is a rating example showing member-level premium rate calculation for a 30-years-old located in Jefferson County who select Confident Care Gold 1 as benefit plan.

Member level Rating Example		
Item	Description	Rate/Factor
a	Market-level Base Rate	[REDACTED]
b	AV Pricing Value - Confident Care Gold 1	[REDACTED]
c	Plan Level Base Rate	[REDACTED]
d	Area Factor - Jefferson County	[REDACTED]
e	Age Factor	[REDACTED]
f	Member-level Premium Rate	[REDACTED]

For Section 6 (2) (c) 6 of 806 KAR 17:150, anticipated pricing loss ratio, please see the next section of "Projected Loss Ratio" and the above sub-section of "Non-Benefit Expenses and Profit Margin" for administrative expenses included, taxes and fees and profit and contingency margin. For Investment income assumption, Molina expects investment income to be immaterial.

For Section 6 (2) (d) of 806 KAR 17:150, it's not applicable.

For Section 6 (2) (e) of 806 KAR 17:150, please see Section of "Plan Product information".

For Section 6 (2) (f) of 806 KAR 17:150, Gap assessment fee is priced as 1% of premium.

For Section 6 (2) (g) of 806 KAR 17:150, Molina pays its providers on a fee for service basis, with payments mostly based on a percentage of Medicare. The fees paid to providers in relation to the rate requested are considered reasonable. The average discount to providers for the projected period has been submitted to the State.

For Section 6 (2) (h) of 806 KAR 17:150, it's not applicable.

For Section 6 (2) (i) of 806 KAR 17:150, it's not applicable.

For Section 6 (2) (j) of 806 KAR 17:150, it's not applicable.

For Section 6 (2) (k) of 806 KAR 17:150, please see Section of "General Information" above and Section of "Actuarial Certification" at the end.

## PROJECTED LOSS RATIO

The projected medical loss ratio (MLR) using the federally prescribed MLR methodology is [REDACTED] for calendar year 2022 based on the ratio of projected incurred claims divided by projected revenue. The projected medical loss ratio (MLR) using expected claims divided by expected premium is [REDACTED] %.

Molina Medical Loss Ratio Calculation - 2022			
Item	MLR Calculation	Comments	Calculation
1	Incurred Claims PMPM		
2	ACA Risk Adjustment Transfer		
3	ACA Reinsurance Receivables, net		
4	<b>Projected Claims PMPM</b>		
5	Molina Admin Expenses		
6	Bank Service Charges		
7	Molina QA Expenses		
8	Commissions		
9	Exchange Fee		
10	HIPF		
11	Risk adjustment User Fee		
12	Federal Taxes		
13	Premium Tax & GAP Assessment Fee		
14	Regulatory Surcharge		
15	Other Fees		
16	Profit		
17	Risk & Contingency		
18	<b>Projected Premium PMPM</b>		
19	<b>MLR (after risk adjustment)</b>		
HHS MLR Calculation			
20	ACA Reinsurance Receivables PMPM		
21	ACA Risk Adjustment and Corridor related receives		
22	ACA Risk Adjustment and Corridor related payment		
23	ACA 3R Net Receivables		
24	ACA Reinsurance Contribution PMPM		
25	<b>Numerator</b>		
26	Projected Membership		
27	Credibility		
28	<b>Denominator</b>		
29	<b>HHS Medical Loss Ratio</b>		

## PLAN PRODUCT INFORMATION

### Benefit Plan Description

The benefit plan descriptions are summarized below.

Summary of Benefits								
Type	Plan Name	Medical Deductible	IP Copay/Coins	OP Copay/Coins	PCP Copay	ER Copay/Coins	Rx Deductible	Rx Copays (by Tier)
Molina Healthcare	Confident Care Gold 1							
	Constant Care Silver 1 250							
	Constant Care Silver 1 200							
	Constant Care Silver 1 150							
	Constant Care Silver 1 100							
	Constant Care Silver 2 250							
	Constant Care Silver 2 200							
	Constant Care Silver 2 150							
	Constant Care Silver 2 100							
	Constant Care Silver 4 250							
	Constant Care Silver 4 200							
	Constant Care Silver 4 150							
	Constant Care Silver 4 100							
	Constant Care Silver 7 250							
	Constant Care Silver 7 200							
	Constant Care Silver 7 150							
	Constant Care Silver 7 100							
Molina Healthcare + Vision	Confident Care Gold 1 + Vision							
	Constant Care Silver 1 250 + Vision							
	Constant Care Silver 1 200 + Vision							
	Constant Care Silver 1 150 + Vision							
	Constant Care Silver 1 100 + Vision							

## AV Metal Values

All benefit plans Molina proposes to offer meet ACA essential health benefit (EHB) requirements. The actuarial value (AV) for each product was based on output from the CMS 2022 AV Calculator.

Silver plan premium rates for benefit year 2022 were developed without federal funding for the cost sharing reduction (CSR) program and were rated at its full cost for Silver CSR plans. Per KY Department of Insurance's guidance, the impact of CSR subsidy non-payment was spread across silver plans only in the single risk pool. In addition, the Department prefers a consistent approach for the CSR loads being applied to the on-exchange silver plans rather than varying CSR loads for each individual silver plan. Molina's CSR loading factor of Silver plans is estimated to be [REDACTED] for all Silver plans and it applies to each Silver plan consistently. No adjustments were necessary for the Platinum, Gold, Bronze, or Catastrophic plans based on the funding status of the CSR program.

The following table illustrates the actuarial values included in the rate filing.

Actuarial Metal Values				
Plan ID	Product Name	Metal	FPL	Actuarial Value
73891KY0010001	Molina Healthcare	Gold	Base	
73891KY0010002	Molina Healthcare	Silver	Base	
73891KY0010002	Molina Healthcare	Silver	CSR 200-250	
73891KY0010002	Molina Healthcare	Silver	CSR 150-200	
73891KY0010002	Molina Healthcare	Silver	CSR 100-150	
73891KY0010008	Molina Healthcare	Silver	Base	
73891KY0010008	Molina Healthcare	Silver	CSR 200-250	
73891KY0010008	Molina Healthcare	Silver	CSR 150-200	
73891KY0010008	Molina Healthcare	Silver	CSR 100-150	
73891KY0010004	Molina Healthcare	Silver	Base	
73891KY0010004	Molina Healthcare	Silver	CSR 200-250	
73891KY0010004	Molina Healthcare	Silver	CSR 150-200	
73891KY0010004	Molina Healthcare	Silver	CSR 100-150	
73891KY0020001	Molina Healthcare +Vision	Gold	Base	
73891KY0020002	Molina Healthcare +Vision	Silver	Base	
73891KY0020002	Molina Healthcare +Vision	Silver	CSR 200-250	
73891KY0020002	Molina Healthcare +Vision	Silver	CSR 150-200	
73891KY0020002	Molina Healthcare +Vision	Silver	CSR 100-150	
73891KY0010007	Molina Healthcare	Silver	Base	
73891KY0010007	Molina Healthcare	Silver	CSR 200-250	
73891KY0010007	Molina Healthcare	Silver	CSR 150-200	
73891KY0010007	Molina Healthcare	Silver	CSR 100-150	
Total				

## AV Pricing Values

AV pricing value of each plan only includes the allowable modifiers to the index rate, as described in 45 CFR Part 156, §156.80(d)(2). Cost-sharing adjustments ensure that differences due to health status were not included in the adjustment.

The modifiers are applied to the index rate as shown in the following table.

Actuarial Value Pricing						
Plan ID	Metal	Actuarial Value	Cost Sharing Adj.	Benefits in Addition to EHBs	Administration Costs	AV Pricing Value
a	b	c	d	e	f	g = product (c:f)
73891KY0010001	Gold					
73891KY0010002	Silver					
73891KY0010008	Silver					
73891KY0010004	Silver					
73891KY0020001	Gold					
73891KY0020002	Silver					
73891KY0010007	Silver					
<b>Total</b>						

## Membership Projections

Molina is filing rates in 3 counties of Region 3. New membership is based on an estimated proportion of the total number of members enrolled in Kentucky Marketplace by county. The source of the new members is mostly from other carriers.

Membership Projections by Region		
Region	Current Members	Projected Members
Region 3	0	
<b>Total</b>	<b>0</b>	

Molina plans to offer its products in the counties listed by region below.

County List			
Geographic Region	County	County	County
<b>Region 3</b>			

## Terminated Products

A summary of Molina's terminated, renewing, and new products is provided in the following table:

Terminated Plans and Mapping					
Plan ID	Plan Effective Period	Plan Name	Metal Tier	Actuarial Value (AV)	New Plan ID
None	NA	NA	NA	NA	NA
Renewing Plans					
Plan ID	Plan Effective Period	Plan Name	Metal Tier	Actuarial Value (AV)	New Plan ID
None	NA	NA	NA	NA	NA
New Plans					
Plan ID	Plan Effective Period	Plan Name	Metal Tier	Actuarial Value (AV)	AV (% Chg)
73891KY0010001	Jan 2022 --	Confident Care Gold 1	Gold		N/A
73891KY0010002	Jan 2022 --	Constant Care Silver 1	Silver		N/A
73891KY0010008	Jan 2022 --	Constant Care Silver 2	Silver		N/A
73891KY0010004	Jan 2022 --	Constant Care Silver 4	Silver		N/A
73891KY0020001	Jan 2022 --	Confident Care Gold 1 + Vision	Gold		N/A
73891KY0020002	Jan 2022 --	Constant Care Silver 1 + Vision	Silver		N/A
73891KY0010007	Jan 2022 --	Constant Care Silver 7	Silver		N/A

## Plan Type

All benefit plans are comprehensive HMO individual products.

## MISCELLANEOUS INSTRUCTIONS

### Effective Rate Review Information

Not applicable.

### Reliance

Not applicable.

## COVID-19 Impact on 2022 Rates

### **Background**

COVID-19 resulted in atypical patterns in the 2020 claims experience that was used to develop the 2022 premium rates. We expect 2022 claims experience to return to more normal levels and patterns. Therefore, we attempted to normalize our 2020 claims experience for the impact of direct COVID costs, deferred care, and delayed care. We did this by analyzing the 2020 claims experience by month and compared it to the expected seasonal patterns using the following service categories: Inpatient, Outpatient Facility, Professional, Other, and Pharmacy.

### **Methodology**

To assess the impact of direct COVID costs we tracked the claims experience for COVID-related hospitalizations and COVID-related testing costs separately from all other claims experience. To assess the impact of deferred care and delayed care we compared our actual monthly experience patterns with the expected seasonal patterns based on data from prior years. For each service category we applied prior year seasonality factors to the pre-COVID January and February claims experience in 2020 to create normalized expectations for our 2020 monthly experience. We compared the normalized experience with actual experience to assess the impact of COVID.

### **Observations**

We observed a significant decline in Outpatient Facility and Professional services in the March, April, and May time period. Beginning in June we began to see Outpatient Facility and Professional services return to levels more consistent with seasonal patterns. In the latter part of the year Outpatient Facility services remained at lower than expected levels relative to seasonal patterns while professional services returned and somewhat exceeded expected levels relative to seasonal patterns. In addition, we experienced direct COVID Inpatient costs in May, June, and July, with a sharp peak in August, followed by a second peak in November and December.

### **2022 Rate Impact**

We applied a [REDACTED] adjustment factor to the 2020 allowed claims to normalize for the COVID-19 impact. In total, the direct COVID-19 expenses and higher than expected utilization in Jul-Dec 2020 outweighed the utilization suppression that occurred in Mar-Jun 2020.

## American Rescue Plan Impact on 2022 Rates

### **Background**

The American Rescue Plan (ARP) provides new and expanded financial help for consumers. Enhanced premium subsidies are expected to attract new members to the market, lower member premiums for existing enrollees, and may change consumer enrollment patterns compared to prior years.

### **Methodology**

We assessed the impact of the enhanced ARP premium subsidies on member decisions for our own population by comparing member premiums before and after ARP subsidy enhancements. This assessment was done at a member-level and took into consideration geography, age, family size, and plan selection.

### **Observations**

Enhanced premium subsidies are likely to draw more members into the Silver metal tier. Our modeling suggests that the members most likely to switch to a Silver metal tier are those that will be newly eligible for zero-cost member premiums as well as older members that can pay less for a Silver plan after ARP subsidy enhancements than they would have paid for a Bronze plan before ARP subsidy enhancements.

### **2022 Rate Impact**

As a result of the observations on our own population, we anticipate that there will be fewer Bronze members and more Silver members in the market. We also anticipate that the income distribution for Silver plans will shift more toward income brackets above 200% FPL. These expectations were included in our membership projections and demographic assumptions.

## Actuarial Certification

I, Yaohua Ji, as a member in good standing with the American Academy of Actuaries, hereby certify, to the best of my knowledge and judgment, the following:

The projected index rate is:

- a. In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80 and 147.102)
- b. Developed in compliance with the applicable Actuarial Standards of Practice
- c. Reasonable in relation to the benefits provided and the population anticipated to be covered
- d. Neither excessive nor deficient

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

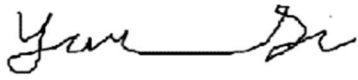
The percent of total premium that represents essential health benefits included in Worksheet 2, Section III was calculated in accordance with actuarial standards of practice.

The geographic rating factors reflect only differences in the costs of delivery and do not include differences for population morbidity by geographic area.

The 2022 AV Calculator was used to determine the AV Metal Values shown in Worksheet 2 of the Part I URRT for all plans.

This filing has been developed in accordance with the following Actuarial Standards of Practice (ASOP):

- ASUP 5: Incurred Health and Disability Claims
- ASOP 8: Regulatory Filings for Health Benefits, Accident and Health Insurance, and Entities providing Health Benefits
- ASOP 12: Risk Classification
- ASOP 23: Data Quality
- ASOP 25: Credibility Procedures
- ASOP 26: Compliance with Statutory and Regulatory Requirements for the Actuarial Certification of Small Employer Health Benefit Plans, applicable to the market of Individual
- ASOP 41: Actuarial Communications
- ASOP 50: Determining Minimum Value and Actuarial Value under the Affordable Care Act



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Yaohua Ji, ASA, MAAA  
Director of Actuarial Services  
Molina Healthcare

July 19, 2021

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Date