Actuarial Memorandum and Certification

Effective January 1, 2023

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, 2023. 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, Molina serves more than 5.2 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 2023 premium rates supported by this Actuarial Memorandum were developed based on ACA statutes and regulations, and the relevant KY State statutes and regulations. **The 2023 premium rates include the anticipated impact of COVID-19 and reflect the expiration (aka sunsetting) of the American Rescue Plan (ARP) subsidies for 2023 and the return of pre-ARP federal and state subsidies.**

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GENERAL INFORMATION

This is a rate change filing from the previously approved rate filing (SERFF Tracking Number MHKY-132847947, State Tracking Number 2021-008831-R) in Kentucky.

In conjunction with providing information in support of Molina's Part I URRT, this actuarial memorandum should be reviewed together with "2023 State Actuarial Memorandum – KY", which provides additional 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, 2023 through December 31, 2023.

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, 2023

Company Contact Information

Company Contact Information	
Contact Name:	Yaohua Ji
Telephone #:	301-518-2609
E-mail:	Yaohua.Ji@MolinaHealthcare.com

PROPOSED RATE INCREASE(S)

Molina's rate filing reflects a rate change of [redacted] increase, as calculated by metal tier for Molina's [redacted] metal tier membership enrolled effected March 1, 2022.

Molina has [redacted] members in plans that are renewing and [redacted] members in plans that are terminating for a total of [redacted] members enrolled effective March 1, 2022. The rate change calculation below is consistent with Worksheet 2, Section II of the URRT, which only includes members on renewing plans. The rate changes vary by metal tier due to changes in the Actuarial Value (AV) Pricing Values assigned to each metal plan that are applied to the Plan Adjusted Index Rate.

Rate Change by Plan						
Plan ID	Product Name	Metal	Mar 22	Rate Change		
			Members	Avg	Min	Max
73891KY0010001	Molina Healthcare	Gold	[redacted]	[redacted]	[redacted]	[redacted]
73891KY0010002	Molina Healthcare	Silver	[redacted]	[redacted]	[redacted]	[redacted]
73891KY0020001	Molina Healthcare +Vision	Gold	[redacted]	[redacted]	[redacted]	[redacted]
73891KY0020002	Molina Healthcare +Vision	Silver	[redacted]	[redacted]	[redacted]	[redacted]
Total			[redacted]	[redacted]	[redacted]	[redacted]

Reason for Rate Increase(s)

The following factors contribute toward the overall increase in the proposed rates.

- **Claims Experience:** Projected claims for 2023 are expected to contribute toward a [redacted] increase in rates due to higher base period experience claims, updated trend, provider contract updates, changes in product, and higher acuity etc.

- **Administrative Expenses:** Administrative expenses are expected to contribute toward a [redacted] increase in rates due to higher plan expenses and broker commissions compared to the prior year rate filing.

- **Member Mix:** The membership mix from the current rate review period compared to the membership mix for the comparable time period from prior year rate filing is expected to contribute toward a [redacted] increase in rates.

The following factor mitigated the overall rate increase:

- **Risk Adjustment:** Risk transfer is expected to contribute toward a [redacted] rate reduction in rates due to higher projected risk transfer receivable amounts for the 2023 benefit year.

Rate changes vary by metal tier due to changes in Actuarial Value, Cost Share Design (CSD), and Geographic factors.

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.

Experience and Current Period Premium, Claims and Enrollment

Molina entered Kentucky Marketplace in 2022 and has no prior Molina experience available in the State of Kentucky in 2021.

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. The rate development is based on manual rate development method described in the next Section.

Manual Rate Adjustments

The manual rate was developed using 2021 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) 1 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 2021 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 2023 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, 2021 to December 31, 2021.

2021 Experience Period Claims (paid through Month 202203)					
Item	Description	Medical	Pharmacy	Capitation	Total
a	Allowed	[redacted]	[redacted]	[redacted]	[redacted]
b	IBNR for allowed	[redacted]	[redacted]	[redacted]	[redacted]
c = a x b	**Allowed w IBNR**	[redacted]	[redacted]	[redacted]	[redacted]
a	Allowed	[redacted]	[redacted]	[redacted]	[redacted]
d	Member Cost Share	[redacted]	[redacted]	[redacted]	[redacted]
e = a + d	Subtotal	[redacted]	[redacted]	[redacted]	[redacted]
f	IBNR	[redacted]	[redacted]	[redacted]	[redacted]
g = e x f	Subtotal	[redacted]	[redacted]	[redacted]	[redacted]
h	Cost Share Reduction				[redacted]
i = g + h	**Incurred Claims**				[redacted]

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 is [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) 1 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 2021, to the midpoint of the projection period, July 2023.

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.

Annual Claims Trends — Manual Rate			
Benefit	Utilization	Unit Cost	Total
IP	[redacted]	[redacted]	[redacted]
OP	[redacted]	[redacted]	[redacted]
Prof	[redacted]	[redacted]	[redacted]
Other	[redacted]	[redacted]	[redacted]
Rx	[redacted]	[redacted]	[redacted]
Cap	[redacted]	[redacted]	[redacted]
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 2021 and Molina Healthcare of Kentucky members in 2023. This adjustment factor reflects the change of utilization and/or cost-per-service.

The morbidity or 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 [redacted] 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 2021 and 2023, including but not limited to the impact of no bronze plan offering in the State of Kentucky.

Morbidity/Acuity Adjustment				
	Base Year		Pricing Year	
Metal Tier	Mbr Mix %	Risk score	Mbr Mix %	Risk score
Gold	[redacted]			
Silver 100				
Silver 150				
Silver 200				
Silver 250				
Bronze				
Total (Pricing Yr Weight)		[redacted]		
Morbidity/Acuity Adjustment				

Demographic Change:

A demographic adjustment factor was applied to the manual rate to reflect changes in allowed claims due to difference in demographic mix from TX 2021 experience data to KY 2023 projected period.

The anticipated demographic mix is based on the review of TX marketplace 2021 enrollment and projected KY marketplace 2023 enrollment. The demographic adjustment factors were developed using allowed claims by age cohorts normalized for difference in metal and acuity. The projected demographic membership distribution among age cohorts is assumed to be like the TX 2021 because of the very low 2022 enrollment in Kentucky. The total demographic adjustment to 2021 manual experience data was [redacted]

Population Morbidity Adjustment			
Age	Member Mix		Demographic Factor
	TX Experience Period	Projection Period	
0-14	[redacted]	[redacted]	[redacted]
15-20	[redacted]	[redacted]	[redacted]
21-24	[redacted]	[redacted]	[redacted]
25-29	[redacted]	[redacted]	[redacted]
30-34	[redacted]	[redacted]	[redacted]
35-39	[redacted]	[redacted]	[redacted]
40-44	[redacted]	[redacted]	[redacted]
45-49	[redacted]	[redacted]	[redacted]
50-54	[redacted]	[redacted]	[redacted]
55-59	[redacted]	[redacted]	[redacted]
60-64	[redacted]	[redacted]	[redacted]
65+	[redacted]	[redacted]	[redacted]
Total	[redacted]	[redacted]	[redacted]
	a	2021	[redacted]
	b	2023	[redacted]
	c = b / a	Adjustment	[redacted]

Benefit / Plan Changes

Plan Mix Adjustment: A plan mix adjustment factor from benefit / plan changes was applied to the manual rate to reflect changes in allowed claims due to differences in membership mix by benefit plan and metal. Molina has compared enrollment by metal for the enrollment in Molina Healthcare of Texas in 2021 and the projected 2023 enrollment in Kentucky, then use the weighted allowed PMPMs of TX in 2021 experience period enrollment to compare to the expected allowed PMPMs enrollment in Kentucky in deriving the plan-metal mix adjustment.

In addition, in Silver CSR variants, Kentucky's projected membership, which follows the current enrollment in Silver CSR plans in Kentucky, is more heavily weighted on the Silver 200 and 250 variants compared to 2021 membership of Molina Healthcare of Texas. The allowed PMPMs of TX in 2021 experience period in Silver 100 and Silver 150 were significantly lower than Silver 200 and Silver 250. An additional adjustment factor has been adopted in the Silver plan allowed pmpm to a more reasonable level.

The final 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	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Silver	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Bronze	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
				Plan-Metal Adj.	[redacted]

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 2023 Rates." We estimated that the Molina Texas allowed claims in 2021 would have been [redacted] in 2023 due to an estimated reduction in COVID-related costs, so we applied a [redacted] adjustment factor to the 2021 data.

Special Enrollment Period (SEP) Base Data Adjustment: As a result of the American Rescue Plan, more members enrolled during an extended Special Enrollment Period in 2021. These members had, on average, higher claims experience than members who enroll during the Open Enrollment period. Due to changes in the eligibility criteria after 2021, fewer members are expected to enroll during the Special Enrollment Period in 2023. An adjustment factor of [redacted] was applied to the projected claims experience to represent the projected differences in allowed claims experience generated by a higher percentage of SEP enrollment in the 2021 Texas data that is not expected to be reflected in our 2023 Illinois membership.

Internal Reinsurance Adjustment: This factor was used in 2022 rate development. There is no internal reinsurance in 2023. The adjustment factor has been removed.

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
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Rx Utilization Adjustment: The [redacted] adjustment factor represents the projected Rx utilization increase of [redacted] from Kentucky Insulin cost sharing limitation due to the pass of legislation in 2021 in the State of Kentucky.

Rx Utilization Adjustment						
HIP	HOP	Prof	Other	Rx	Cap	Total
[redacted]						

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
Utilization/Morbidity Adjustment	[redacted]
Acuity Adjustment	
Demographic Change/Shift	
Demographic Adjustment	
Benefit/Plan Design Changes	[redacted]
Product/Metal Adjustment	
Other Adjustments	[redacted]
Covid Adjustment Factor	
Base Data SEP Adjustment	
Rx Utilization Adjustment	
Provider Contracts/Unit Cost Adjustments	

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 Rate	Manual Rate
Low	High	Weight	Weight
[redacted]			
[redacted]			
24,000	+	100.0%	0.0%

Molina's 2021 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	[redacted]
b	Utilization Trend (Annual)	[redacted]
c	Unit Cost Trend (Annual)	[redacted]
d = a x b^2 x c^2	Trended Index Rate	[redacted]
e	Morbidity Adjustment	[redacted]
f	Demographic Shift	[redacted]
g	Plan Design Changes	[redacted]
h	Others Incl Covid	[redacted]
i = product(d:h)	Index Rate	[redacted]
l = i + j	Non-EHB	[redacted]
k = l + m	Projected Allowed Claims	[redacted]

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 2023 were developed using 2021 Individual Marketplace experience data from Molina Healthcare of Texas. The 2023 risk transfer estimates were developed projecting 2022 relative risk scores and transfer payments, then projecting 2023 relative risk scores and transfer payments.

2022 and 2023 results were projected as followed:

- *2022 Members* – 2022 relative risk score projections by metal tier were assumed to be equal to the relative risk scores from 2021 Individual Marketplace experience data from Molina Healthcare of Texas.

- *2023 Members* – Molina assumed the 2023 members would have the same relative risk scores as the 2022 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 2023 risk transfer estimate.

Risk Transfer Estimate

$$T_i = \left[\frac{PLRS_i \cdot IDF_i \cdot GCF_i}{\sum_i (s_i \cdot PLRS_i \cdot IDF_i \cdot GCF_i)} - \frac{AV_i \cdot ARF_i \cdot IDF_i \cdot GCF_i}{\sum_i (s_i \cdot AV_i \cdot ARF_i \cdot IDF_i \cdot GCF_i)}\right] \overline{P}_s \quad \text{x } 86\%$$

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

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 2023 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 14% 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	[redacted]	[redacted]	[redacted]	URRT, Worksheet 1
b	Reinsurance	[redacted]	[redacted]	[redacted]	
c	Risk Adjustment	[redacted]	[redacted]	[redacted]	
d	Exchange Fee	[redacted]	[redacted]	[redacted]	See Taxes & Fees
e	Market Adjusted Index Rate			[redacted]	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 = prod(c:g)	i	j	k = h / (1 - i) *j
73891KY0010001	Gold	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
73891KY0010002	Silver	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
73891KY0020001	Gold	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
73891KY0020002	Silver	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
73891KY0010009	Silver	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

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 2021 Texas and 2023 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 AV after Silver Loading. Silver loading is discussed in detail in Section of Plan Product Information, AV Metal Values.

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 II, 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	[redacted]	[redacted]	[redacted]	[redacted]
73891KY0010002	Molina Healthcare	Silver	Base	[redacted]	[redacted]	[redacted]	[redacted]
73891KY0010002	Molina Healthcare	Silver	CSR 200-250	[redacted]	[redacted]	[redacted]	[redacted]
73891KY0010002	Molina Healthcare	Silver	CSR 150-200	[redacted]	[redacted]	[redacted]	[redacted]
73891KY0010002	Molina Healthcare	Silver	CSR 100-150	[redacted]	[redacted]	[redacted]	[redacted]
73891KY0020001	Molina Healthcare +Vision	Gold	Base	[redacted]	[redacted]	[redacted]	[redacted]
73891KY0020002	Molina Healthcare +Vision	Silver	Base	[redacted]	[redacted]	[redacted]	[redacted]
73891KY0020002	Molina Healthcare +Vision	Silver	CSR 200-250	[redacted]	[redacted]	[redacted]	[redacted]
73891KY0020002	Molina Healthcare +Vision	Silver	CSR 150-200	[redacted]	[redacted]	[redacted]	[redacted]
73891KY0020002	Molina Healthcare +Vision	Silver	CSR 100-150	[redacted]	[redacted]	[redacted]	[redacted]
73891KY0010009	Molina Healthcare	Silver	Base	[redacted]	[redacted]	[redacted]	[redacted]
73891KY0010009	Molina Healthcare	Silver	CSR 200-250	[redacted]	[redacted]	[redacted]	[redacted]
73891KY0010009	Molina Healthcare	Silver	CSR 150-200	[redacted]	[redacted]	[redacted]	[redacted]
73891KY0010009	Molina Healthcare	Silver	CSR 100-150	[redacted]	[redacted]	[redacted]	[redacted]
Total		Total		[redacted]	[redacted]	[redacted]	[redacted]
h	Member Weighted Average			[redacted]	[redacted]	[redacted]	[redacted]
i	Dollar Weighted Average			[redacted]	[redacted]	[redacted]	[redacted]
j = i/h	Calibration Factor			[redacted]	[redacted]	[redacted]	[redacted]

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 Molina's last year CSD factors used in KY and new information from Molina TX's 2021 Marketplace data. The CSD factors from Molina TX's Marketplace data was derived by comparing TX 2021 relative claims costs by metal tier, normalized for age factor, geographic mix and risk transfer. The final CSD factors were developed by blending [redacted] of KY 2022 CSD factors and [redacted] of Molina TX's 2021 Marketplace data.

Actuarial Value and Cost Sharing Adjustment					
Plan ID	Product Name	Metal	Member	Actuarial Value	Cost Sharing Adj.
73891KY0010001	Molina Healthcare	Gold	[redacted]	[redacted]	[redacted]
73891KY0010002	Molina Healthcare	Silver	[redacted]	[redacted]	[redacted]
73891KY0020001	Molina Healthcare +Vision	Gold	[redacted]	[redacted]	[redacted]
73891KY0020002	Molina Healthcare +Vision	Silver	[redacted]	[redacted]	[redacted]
73891KY0010009	Molina Healthcare	Silver	[redacted]	[redacted]	[redacted]
Total			[redacted]	[redacted]	[redacted]

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].

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	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
73891KY0010002	Silver	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
73891KY0020001	Gold	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
73891KY0020002	Silver	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
73891KY0010009	Silver	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

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 [redacted]

Administrative Expense Load		
Description	PMPM	% of Premium
Corporate and Plan Expense	[redacted]	[redacted]
Quality Expenses	[redacted]	[redacted]
Broker Commissions	[redacted]	[redacted]
Total	[redacted]	[redacted]

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	Quality Expenses	Broker Commissions	Total	% of Premium
a	b	c	d	e	f = sum (c:e)	
73891KY0010001	Gold	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
73891KY0010002	Silver	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
73891KY0020001	Gold	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
73891KY0020002	Silver	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
73891KY0010009	Silver	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Broker Commissions: Molina expects broker commissions of [redacted] PMPM last year, based on a higher expected membership sold through the broker channel.

Commission Estimate				
Policy Year	Cohort	Broker Sold %	Commission $	Commission PMPM
2023	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

Taxes and Fees:

In the premium rates, Molina assumes GAP assessment fee pursuant to KRS 304.17B-021. Molina also assumes of premium as federal income taxes. Molina's estimate of total taxes and fees is , remained at the same level as last year

Taxes and Fees		
Taxes and Fees	PMPM	% of Premium
Health Insurer Fee		
Risk Adjustment User Fee & PCORI		
Premium Tax & 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 & PCORI	Premium Tax & Other Fees	Federal Taxes	Exchange Fee	Total	% of Premium
a	b	c	d	e	f	g	h = sum (c:g)	
73891KY0010001	Gold	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
73891KY0010002	Silver	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
73891KY0020001	Gold	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
73891KY0020002	Silver	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
73891KY0010009	Silver	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

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

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

The average age of the single risk pool is estimated to be [redacted] years of age, calculated by multiplying the expected age distribution percentages by the age. An average age of [redacted] 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 [redacted]

Geographic Factor Calculation			
Geographic Region	Members	Allowed Claims	Geographic Factor
Region 3	[redacted]	[redacted]	[redacted]
Region 4	[redacted]	[redacted]	[redacted]
Total	[redacted]	[redacted]	[redacted]
Calibration		1 / Total	[redacted]

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 "73891_MolinaRates_052522" 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	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
73891KY0010002	Silver	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
73891KY0020001	Gold	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
73891KY0020002	Silver	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
73891KY0010009	Silver	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Base Premium Rate, Rating Factors and Other State Required Information

Per Section 6 (2) (c) 2 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 and geographic area factor of the member.

Description	Rate/Factor
Market-Adjusted Index Rate	[redacted]
Age Calibration	[redacted]
Geographic Calibration	[redacted]
Market-level Base Rate	[redacted]

Plan ID	Metal Tier	Market-Wide Base Rate	AV	Plan Level Base Rate
73891KY0010001	Gold	[redacted]	[redacted]	[redacted]
73891KY0010002	Silver	[redacted]	[redacted]	[redacted]
73891KY0020001	Gold	[redacted]	[redacted]	[redacted]
73891KY0020002	Silver	[redacted]	[redacted]	[redacted]
73891KY0010009	Silver	[redacted]	[redacted]	[redacted]

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 Molina's newly added county of Region 4 (Barren), who selects Confident Care Gold 1 + Vision plan.

For Section 6 (2) (c) 2 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) 3 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 3.00 and lowest adult age factor is 1.00 and children factor starts at 0.765. The geographic area factors are included in Section of Geographic Factor Calibration as [redacted] for Regions 3 and 4 respectively. Geographic regions are 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 [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 Lelvel Base Rate	[redacted]
d	Area Factor - Jefferson County	[redacted]
e	Age Factor	[redacted]
f	Member-level Premium Rate	[redacted]

Please review "2023 State Actuarial Memorandum – KY" which provides more specific information and clarification outlined in 806 Ky. Admin. Regs. (KAR) 17:150.

PROJECTED LOSS RATIO

The projected medical loss ratio (MLR) using the federally prescribed MLR methodology is [redacted] for calendar year 2023 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 [redacted]

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

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 11 250							
	Constant Care Silver 11 200							
	Constant Care Silver 11 150							
	Constant Care Silver 11 100							
Molina Healthcare + Vision	Confident Care Gold 1 + Visio							
	Constant Care Silver 1 250 + '							
	Constant Care Silver 1 200 + '							
	Constant Care Silver 1 150 + '							
	Constant Care Silver 1 100 + '							

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 2023 AV Calculator.

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	[redacted]
73891KY0010002	Molina Healthcare	Silver	Base	[redacted]
73891KY0010002	Molina Healthcare	Silver	CSR 200-250	[redacted]
73891KY0010002	Molina Healthcare	Silver	CSR 150-200	[redacted]
73891KY0010002	Molina Healthcare	Silver	CSR 100-150	[redacted]
73891KY0020001	Molina Healthcare +Vision	Gold	Base	[redacted]
73891KY0020002	Molina Healthcare +Vision	Silver	Base	[redacted]
73891KY0020002	Molina Healthcare +Vision	Silver	CSR 200-250	[redacted]
73891KY0020002	Molina Healthcare +Vision	Silver	CSR 150-200	[redacted]
73891KY0020002	Molina Healthcare +Vision	Silver	CSR 100-150	[redacted]
73891KY0010009	Molina Healthcare	Silver	Base	[redacted]
73891KY0010009	Molina Healthcare	Silver	CSR 200-250	[redacted]
73891KY0010009	Molina Healthcare	Silver	CSR 150-200	[redacted]
73891KY0010009	Molina Healthcare	Silver	CSR 100-150	[redacted]
Total				[redacted]

Silver Loading: Silver plan premium rates for benefit year 2023 were developed assuming no federal funding for the cost sharing reduction (CSR) program and were rated at its full cost for Silver CSR plans. The impact of CSR subsidy non-payment was spread across silver plans only in the single risk pool. In addition, based on the Department's guidance last year, a consistent approach for the CSR loads being applied to the on-exchange silver plans were adopted. Molina's CSR loading factor of Silver plans is estimated to be [redacted] for all Silver plans and it applies to every 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 Silver load impact to the Single Risk Pool is at [redacted]

The table shows the details of Silver loading calculation.

Plan ID	Metal	$FPL	Member %		Initial AV	AV	CSR No Subsidy	CSR w Subsidy	Load
a	c	d	e		f0	f1	g=f1	h=f0 Base	i=g/h
73891KY0010001	Gold	Base	[redacted]						
73891KY0010002	Silver	Base	[redacted]						
73891KY0010002	Silver	CSR 200-250	[redacted]						
73891KY0010002	Silver	CSR 150-200	[redacted]						
73891KY0010002	Silver	CSR 100-150	[redacted]						
73891KY0020001	Gold	Base	[redacted]						
73891KY0020002	Silver	Base	[redacted]						
73891KY0020002	Silver	CSR 200-250	[redacted]						
73891KY0020002	Silver	CSR 150-200	[redacted]						
73891KY0020002	Silver	CSR 100-150	[redacted]						
73891KY0010009	Silver	Base	[redacted]						
73891KY0010009	Silver	CSR 200-250	[redacted]						
73891KY0010009	Silver	CSR 150-200	[redacted]						
73891KY0010009	Silver	CSR 100-150	[redacted]						
Total			[redacted]						

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	[redacted]				
73891KY0010002	Silver	[redacted]				
73891KY0020001	Gold	[redacted]				
73891KY0020002	Silver	[redacted]				
73891KY0010009	Silver	[redacted]				

Membership Projections

Molina is filing rates in three existing counties in Region 3 and adding one new county in Region 4. 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	[redacted]	[redacted]
Region 4	[redacted]	[redacted]
Total	[redacted]	[redacted]

Molina plans to offer its products in the counties listed by region below. Barren County is new in 2023.

County List			
Geographic Region	County	County	County
Region 3	[redacted]	[redacted]	[redacted]
Region 4	[redacted]	[redacted]	[redacted]

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
Renewing Plans					
Plan ID	Plan Effective Period	Plan Name	Metal Tier	Actuarial Value (AV)	AV (% Chg)
New Plans					
Plan ID	Plan Effective Period	Plan Name	Metal Tier	Actuarial Value (AV)	AV (% Chg)

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 2023 Rates

Background

COVID-19 generated additional claim costs in the 2021 claims experience that was used to develop the 2023 premium rates. We expect 2023 claims experience to have relatively lower claim costs associated with COVID-19 due to increased population immunity, development of vaccines and treatments, and expectations of COVID treatment shifting more from an inpatient setting to outpatient and/or pharmaceuticals. With this mind, we adjusted our 2021 claims experience to reflect a reduction in direct COVID costs.

Methodology

To assess the impact of direct COVID costs we tracked the 2021 claims experience for COVID-related hospitalizations, COVID-related outpatient visits, COVID-related pharmaceuticals and COVID-related testing costs separately from all other claims experience. From there, we created a comparative measurement by defining the Fall 2021 Delta Wave as all COVID-related costs incurred between July 2021 and October 2021. When aggregating our Marketplace experience, this Fall 2021 Delta Wave measurement represented approximately [redacted] of total 2021 claims.

We expect 2023 annual COVID-related claims costs to be equivalent to [redacted] of this Fall 2021 Delta Wave, or in other words the equivalent of 3 smaller waves of [redacted] intensity compared to the Fall 2021 Delta Wave. On our combined Marketplace experience, this represents approximately [redacted] of total 2021 claims. We adjusted our 2021 claims experience proportionately to set COVID-related claims costs as [redacted] of total 2021 claims.

Observations

We observed COVID-related claim costs on a state-to-state basis did not follow a congruent set of relations to potential differentiating indicators (e.g., COVID cases, COVID-related hospitalizations, COVID-related deaths, vaccine uptake, population demographics, unit cost differences). Attempts at predicting where and when an outbreak might occur based on differentiating characteristics also didn't produce results with meaningful predictive power. The distribution of COVID-related costs among service categories varied significantly from state-to-state, and even the expected relativity of costs between metal levels did not hold on a state-to-state basis. Given these difficulties in creating more precise estimates, we decided to develop our comparative measurements and future assumptions based on our Marketplace experience nationally and in aggregate across service categories, which helped stabilize relativities to national indicators.

We observed early indicators from the Omicron Wave suggest significant decreases in overall COVID-related claim costs compared to the Fall 2021 Delta Wave. We also know our population's immunity has increased and we've seen significant advances in vaccines and COVID-19 treatment compared to the 2021 calendar year for our claims baseline. As such, we expect a significant decrease in COVID-related costs in the future compared to our 2021 claim baseline.

2023 Rate Impact

COVID-related claims represented [redacted] of 2021 claim experience for Texas. To set COVID-related claims to [redacted] of total claims, we applied a [redacted] adjustment factor to the 2021 allowed claims overall to adjust for our expected reduction in COVID-19 related claims cost.

American Rescue Plan Impact on 2023 Rates

The 2023 premium rates supported by this Actuarial Memorandum reflect current law, which includes the expiration (aka sunsetting) of the American Rescue Plan (ARP) subsidies for 2023 and the return to the pre-ARP federal and state subsidies. No adjustment was applied to account for this change.

Actuarial Certification

I, Yaohua Ji, am an employee of Molina Healthcare and I am a member in good standing with the American Academy of Actuaries meeting its qualification standards for actuaries issuing statement of actuarial opinion in the United States promulgated by the American Academy of Actuaries. I have the education and experience necessary to the perform the work and hereby certify, to the best of my knowledge and judgment, that this filing complies with applicable State and Federal Statues for individual rate filings. I hereby certify 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 applicable federal regulations and 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 2023 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
- ASOP 56: Modeling

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

May 31, 2022
Date