



**CareSource Kentucky Co.
Individual Medical Business
Part II – Written Description Justifying the Rate Increase**

This document contains the Part II written description justifying the rate increase subject to review on CareSource Kentucky Co.'s (CKY) individual medical block of business, effective January 1, 2024. The statements provided are intended to provide a brief, non-technical description of why the issuer is requesting the proposed rate increase.

The information provided in this document has been prepared for the use of CareSource. We understand that the content included below is to be submitted through the Health Insurance Oversight System (HIOS) in a text box field as part of the rate filing submission. These statements will be clearly displayed as the statements of the issuer. CMS will not edit the statements provided by issuers for Part II.

The information in this document will be provided to the Kentucky Department of Insurance (DOI), the Center for Consumer Information and Insurance Oversight (CCIIO), and their subcontractors to assist in the review of CKY's rate filing. We understand that the information provided will be considered public documents, and, as such, may be subject to disclosure to other third parties. Milliman makes no representations or warranties regarding the contents of this letter to third parties. Likewise, third parties are instructed to place no reliance upon this actuarial memorandum or rate filing prepared for CKY by Milliman that would result in the creation of any duty or liability under any theory of law by Milliman to any third party.

PART II – WRITTEN DESCRIPTION JUSTIFYING THE RATE INCREASE

Scope and Range of Rate Increase

CareSource Kentucky Co.'s (CKY's) average proposed rate increase of 11.5%, effective January 1, 2024 is expected to impact 27,445 members, based on April 2023 membership. The rate increase is the same for all adult members within a given plan, though it varies by plan and area, ranging between -7.5% and 25.4%. Rate changes vary by plan due to the impact of changes in benefits and the Cost Sharing Reduction (CSR) shortfall load.

Financial Experience of the Product

After accounting for payments into the risk adjustment program CKY has an overall risk-adjusted MLR of 83% in 2022. The proposed rate increase is intended to account for expected claims activity in 2024 given historical experience and any anticipated changes. With the proposed rate increase, the anticipated federal loss ratio is expected to be 81.5% overall in 2024.

Changes in Medical Service Costs

Medical trend for these products is anticipated to be an average of 6.1% per year on allowed claims. This was developed based on historical experience, as well as consideration for information available on changes in the cost of services due to general medical inflation and changes in the anticipated utilization of services.

Changes in Benefits

Changes in benefits have been made to these plans, leading to an aggregate 4.8% increase in rates. Any impact of benefit changes is reflected in the proposed rate changes.

Administrative Costs and Anticipated Profits

CKY's projected 2024 membership is significantly lower compared to that assumed in 2023 pricing. As a result, overall administrative expenses are expected to be higher as a percent of premium leading to an increase of 2.7% to rates. The Profit and Risk Margin target value is the same as the assumption used in 2023 pricing.