

MILLIMAN ACTUARIAL MEMORANDUM

CareSource Kentucky Co.

Part III Actuarial Memorandum Individual Rate Filing
Effective January 1, 2025

July 31, 2024

[Kenneth R. Laskowski](#), FSA, MAAA
Senior Consulting Actuary



17335 Golf Parkway
Suite 100
Brookfield, WI 53045
USA
Tel +1 262 784 2250

milliman.com





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SECTION 1. GENERAL INFORMATION

DOCUMENT OVERVIEW

This document contains the Part III Actuarial Memorandum for CareSource Kentucky Co.'s (CKY) individual comprehensive medical block of business, effective January 1, 2025. These individual rates are guaranteed through December 31, 2025. These products are offered both on and off the Individual Insurance Exchange. This Actuarial Memorandum is submitted in conjunction with the Part I Unified Rate Review Template (URRT).

The purpose of the Actuarial Memorandum is to provide certain information related to the submission of premium rate filings, including support for the values entered into the Part I URRT, which supports compliance with the market rating rules and reasonableness of applicable rate increases. This information may not be appropriate for other purposes.

The information in this Actuarial Memorandum has been prepared for the use of CKY and is intended for use by 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 individual rate filing. However, we recognize that this certification may become a public document. Milliman makes no representations or warranties regarding the contents of this Actuarial Memorandum or rate filing to other users. Likewise, other users of this Actuarial Memorandum should not place reliance upon this Actuarial Memorandum that would result in the creation of any duty or liability for Milliman under any theory of the law.

The results are actuarial projections. Actual experience will differ for a number of reasons including, but not necessarily limited to, population changes, claims experience, and deviations from assumptions.

The 2025 plan year premium rates provided in this Actuarial Memorandum were developed based upon the current Affordable Care Act (ACA) statutes and regulations, relevant CMS and HHS guidance, Executive Orders, relevant Kentucky statutes and regulations, and court decisions in full force and effect as of the submission of this Actuarial Memorandum, including, but not limited to, the cost-sharing reduction (CSR) subsidies not being funded for the 2025 plan year. Accordingly, CKY retains and reserves the right to amend this Actuarial Memorandum and 2025 plan premium rates should there be any changes to the ACA statutes and regulations, relevant CMS and HHS guidance, Executive Orders, relevant Kentucky statutes and regulations, and court decisions.

As prescribed by the Kentucky DOI, the premium rates developed and supported by this Actuarial Memorandum assume CSR subsidies will not be funded as described in current regulations and guidance. The Kentucky DOI prescribes the impact of CSR subsidy non-payment should be spread across on-exchange silver plans only in the single risk pool. Future modifications in legislation, regulation, and / or court decisions regarding the funding of CSR subsidy payments may affect the extent to which the premium rates are neither excessive nor deficient.

This filing assumes the enhanced premium tax credit subsidies from the American Rescue Plan (ARP) continue in 2025 based on the Inflation Reduction Act (IRA) and that Medicaid maintenance of effort redeterminations are rolled out in 2023 and 2024. We develop 2025 rates from the 2023 experience period with no adjustments for COVID-19. It is possible the COVID-19 pandemic can have a continued material impact on morbidity, enrollment, providers, and other factors related to the individual market.

COMPANY IDENTIFYING INFORMATION

Company Legal Name:	CareSource Kentucky Co.
Address:	P.O. Box 8738, Dayton, Ohio 45401-8738
Toll-Free Telephone Number:	+1 800 479 9502
Filer Email Address:	rylan.austin@caresource.com
State:	Kentucky
HIOS Issuer ID:	45636
Market:	Individual
Effective Date:	January 1, 2025

COMPANY CONTACT INFORMATION

Primary Contact Name:	Rylan Austin
Primary Contact Telephone Number:	+1 937 224 3300
Primary Contact Email-Address:	rylan.austin@caresource.com

CONSULTANT CONTACT INFORMATION

Primary Contact Name:	Kenneth R. Laskowski
Primary Contact Telephone Number:	+1 312 726 0677
Primary Contact Email-Address:	kenneth.laskowski@milliman.com

DESCRIPTION OF BENEFITS

These products provide comprehensive medical benefits for services received within the provider network. The products have various cost sharing designs, which are a combination of deductibles, coinsurance, and copayments that vary for in-network services.

Products 45636KY001 and 45636KY002 are HMO products with Gold, Silver, and Bronze benefit plan options and provide coverage for inpatient, outpatient, physician, prescription drugs, and miscellaneous services subject to deductible, coinsurance, and copays.

All member cost-sharing (deductibles, coinsurance, and copays) accrue toward the annual out-of-pocket maximum. Both products have pharmacy cost sharing with a five-tier (preferred non-specialty generics, preferred non-specialty brands, non-preferred non-specialty brands and generics, specialty brands and generics, and preventive drugs) copayment or coinsurance structure.

CKY removed all dental benefits in plan year 2025. Removal of this benefit meets federal uniform modification standards.

All plans within the products have the same Essential Health Benefits (EHBs). Product 45636KY001 offers no additional non-EHBs. Product 45636KY002 includes additional non-EHB coverage for adult eyewear, adult routine eye examinations, and fitness benefits. No EHB substitutions were made.

SECTION 2. PROPOSED RATE CHANGES

This filing is both an initial rate filing for five plans and a requested rate change filing for 13 of CKY's individual Affordable Care Act (ACA) compliant non-group plan rates originally filed for effective dates January 1, 2024 through December 31, 2024. The experience basis, benefit plans, rating factors, and other projection assumptions are updated for this filing.

CKY's 2025 plan designs include copay, deductible, out-of-pocket maximum, and other benefit changes from their existing 2024 plan designs to maintain federal AV compliance and better compete in the market.

We develop premium rates for these individual plans using CKY's 2023 individual experience in conjunction with internal research proprietary to Milliman and other industry studies and surveys. We consider a number of items in developing the premium rates, including but not necessarily limited to the:

- Projected morbidity level of the population anticipated to purchase the products
- Proposed benefit plan designs
- Anticipated medical trend, both utilization and cost of services
- Applicable taxes and fees, including those newly applicable since 2014 under ACA
- Anticipated risk adjustment payments (receipts)
- Cost and morbidity changes resulting from shifts in the metallic distribution and statewide market risk pool
- Changes to prescription drug contracts
- Anticipated administrative costs and profit margin

This memorandum addresses the rate change requested for CKY's individual HMO product, which impacts [REDACTED] members as of March 2024. The requested rate change weighted by current enrollment for CKY's products is an aggregate [REDACTED]. The requested rate change varies by plan and area within the individual HMO products with a minimum rate change of [REDACTED] and a maximum rate change of [REDACTED]. These plans are ACA compliant plan rates, effective for 12 months beginning January 1, 2025 and ending December 31, 2025.

Exhibit 1 displays the rate change by plan and geographic rating area. Rate changes vary by plan due to changes in cost sharing (which vary between plans) to maintain compliance with the 2025 federal AV calculator, changes to the CSR load relative to 2024, and model updates to Milliman's *Health Cost Guidelines*TM (HCGs), which are used to develop the actuarial value and induced utilization factors as detailed in Section 10.

REASON FOR RATE CHANGES

- Base Experience – CKY's 2025 premium rates were developed from CKY's 2023 individual experience. Accordingly, CKY's 2023 experience period allowed claims per member per month (PMPM) adjusted for changes in experience member characteristics results in [REDACTED] to CKY premium rates.
- Trend – We price CKY's 2025 premiums using [REDACTED] annual trend. This results in [REDACTED] to 2025 CKY premium rates. Please note, the difference in allowed cost projection factors does not perfectly translate to premium changes due to PMPM components which do not leverage with trend like risk adjustment transfers and administrative costs.
- Demographics Shift – We project CKY's 2025 demographics based on emerging 2024 CKY enrollment as of March 2024. This reflects a comparable population to the average demographic mix used in the 2024 pricing, resulting in [REDACTED] to 2025 CKY premium rates.
- CSR Induced Utilization Change and Subsidy Shortfall Adjustment – Emerging CKY membership in 2024 projects [REDACTED] and an accompanying change in metallic and CSR membership projections relative to 2024 rate filing projections, driven by [REDACTED]. This impact results in [REDACTED] to premiums relative to the 2024 rate filing.

Based on guidance from the Kentucky DOI, this filing assumes CSR subsidies will continue to not be funded in 2025, and CKY will be responsible for paying claims at the reduced cost sharing variant levels. We spread the impact of the increased claim payments across on-exchange silver plans in the single risk pool, based on guidance from the Kentucky DOI. The combination of the CSR shortfall adjustment along with the change resulting from the induced utilization and plan mix described above results in [REDACTED] to 2025 CKY premium rates.

- Plan Benefit Relativity – We adjust premium rates to account for differences between CKY’s actual experience and modeled paid to allowed values to better align with CKY’s experience and projections. We also adjust for changes in benefits, resulting in [REDACTED] to 2025 CKY premium rates.
- [REDACTED]
- Area Cost Changes and Provider Reimbursement – CKY projects changes to 2025 area factors and 2025 provider reimbursement arrangements in composite relative to those projected in the 2024 premium development, resulting in [REDACTED] in 2025 CKY premium rates.
- Administrative Costs, Taxes and Fees, Profit and Risk Loads – The total projected retention [REDACTED], resulting in [REDACTED] to 2025 CKY premium rates.
- Other Factors – Other Factors include changes in care management and utilization management programs, prescription drug contracts, and risk adjustment, resulting in [REDACTED] to 2025 CKY premium rates.

Table 1	
CareSource Kentucky, Co.	
Approximate 2024 to 2025 Rate Change Development	
Experience (after accounting for morbidity and risk adjustment)	[REDACTED]
Trend	[REDACTED]
Demographics shift	[REDACTED]
CSR Induced Utilization and Subsidy Shortfall Adjustment	[REDACTED]
Plan Benefit Relativity	[REDACTED]
Durational Adjustment	[REDACTED]
Area Cost Changes and Provider Reimbursement	[REDACTED]
Retention	[REDACTED]
Other Factors	[REDACTED]
2024 to 2025 Rate Change	[REDACTED]
<i>Note: Values are rounded.</i>	

SECTION 3. EXPERIENCE AND CURRENT PERIOD PREMIUM, CLAIMS, AND ENROLLMENT

CKY is a managed care organization, contracting with provider networks to provide medical and pharmacy care to its members. CKY contracts with carriers on a fee-for-service basis. CKY’s contractual arrangements for actual claims for services were directly incorporated in the development of the 2025 rates.

PAID THROUGH DATE

The experience claims incurred presented in Worksheet 1, Section I of the URRT for both non-capitated and capitated services reflect payments through February 29, 2024.

CURRENT DATE

The reported date for current enrollment and premium in URRT Worksheet 2, Section II is March 31, 2024.

EXPERIENCE PERIOD PREMIUM

The earned premium reported in Worksheet 1 of the URRT reflects the sum of member level premium for the 2023 experience period. CKY’s 2023 individual loss ratio exceeded the MLR requirement. Therefore, an adjustment for MLR rebates was not included. CKY’s 2023 premium is not net of its estimated 2023 risk adjustment payment, per the 2023 instructions.

ALLOWED AND INCURRED CLAIMS INCURRED DURING THE EXPERIENCE PERIOD

CKY’s incurred claims include fee-for-service claims and prescription drug claims. The allowed claims were provided directly from CKY’s claim records. We review large claims, but do not make a specific adjustment for large claims, since CKY’s claims volume is sufficiently large, such that large claims do not have a material impact on the average allowed claims PMPM.

CKY provided 2023 claims on a completed basis by using lag development factors for lags across all commercial services. This method estimates the portion of claims that have been paid to date for each incurral month based on past claim lag data, which reflects historic time lags in CKY’s medical and prescription drug claim data between the month of service (i.e., the incurral month) and the month of claim processing (i.e., the processed month).

Table 2, as well as Worksheet 1 Section 1 in the URRT, display a breakdown of the individual allowed claims and incurred benefits for CKY’s 2023 Kentucky experience.

Table 2 CareSource Kentucky Co. Kentucky Individual ACA Plans 2023 Experience		
	Allowed	Paid
Claims Paid through February 2024		
Incurred But Not Reported (IBNR)		
Total		
Note: Values are rounded.		

SECTION 4. BENEFIT CATEGORIES

EXPERIENCE

The experience period claim information by benefit category represents CKY's ACA-compliant individual medical plans in Kentucky in 2023.

We categorize utilization and cost information by benefit using CKY's 2025 projected Kentucky claims distribution by major service category. CKY's projected 2025 fee-for-service medical claims are included by service category:

- Inpatient Hospital: Includes non-capitated facility services for medical, surgical, maternity, mental health and substance abuse, skilled nursing, and other services provided in an inpatient facility setting and billed by the facility.
- Outpatient Hospital: Includes non-capitated facility services for surgery, emergency room, lab, radiology, therapy, observation, and other services provided in an outpatient facility setting and billed by the facility.
- Professional: Includes non-capitated primary care, specialist, therapy, the professional component of laboratory and radiology, and other professional services, other than hospital-based professionals whose payments are included in facility fees.
- Other Medical: Includes non-capitated ambulance, home health care, DME, prosthetics, supplies and other services. The measurement units for utilization used in this category are a mix of visits, cases, procedures, etc.

CKY's prescription drug claims net of rebates are included in the "Prescription Drug" line in the URRT with a benefit category of "Prescriptions."

SECTION 5. PROJECTION FACTORS

CKY's rates are based 100% on an experience rate as their 2023 experience reflects approximately [REDACTED] member months, which we deem fully credible.

TREND FACTORS (COST / UTILIZATION)

We trend CKY's 2023 Kentucky experience forward to 2025 using an aggregate [REDACTED] (annual utilization and charge trends of approximately [REDACTED] respectively), as shown in Table 3. We develop the trend assumptions with input from CKY and general industry reports regarding recent trends in medical inflation.

Table 3 CareSource Kentucky Co. Kentucky Individual ACA Plans 2023 to 2025 Annual Trend			
Service Category	Utilization Trend	Cost Trend	Total Trend
Inpatient Hospital	[REDACTED]	[REDACTED]	[REDACTED]
Outpatient Hospital			
Professional			
Other Medical			
Capitation			
Prescription Drug			
Total			

Note: Factors are rounded.

ADJUSTMENTS TO TRENDED EHB ALLOWED CLAIMS PMPM

No additional adjustments were applied to CKY's experience.

MORBIDITY ADJUSTMENT

We apply a morbidity adjustment of [REDACTED] to the 2023 experience to account for anticipated differences between the risk profile of the population in the experience and the projection period. This impact is shown in URRT Worksheet 1, Section II.

DEMOGRAPHIC SHIFT

We assume CKY's 2025 individual enrollment will have the product type and metal level as provided by CKY and shown in Table 7 in Section 15 Membership Projections. Within each product and metal, we assume CKY's projected 2025 individual enrollment distribution by age, gender, and tobacco status as provided by CKY.

Our rate projection is based on 2023 experience including the average demographics and geographic mix of the 2023 enrollees. Our development of the 2025 Index Rate reflects the anticipated differences in the demographic, tobacco, and geographic mix of the population, as compared to the 2023 experience period.

PLAN DESIGN CHANGES

We adjust CKY's 2025 Index Rate to reflect anticipated changes in the average utilization of services due to differences in average 2023 cost sharing requirements as compared to average 2025 cost sharing requirements.

We use Milliman's HCGs, in conjunction with the historical experience of CKY's Individual market block of business, in order to estimate the benefit changes for each of the items listed above. Plan design changes include any additional EHB benefits mandated by the DOI or changes in state legislation.

CKY removed all dental benefits in plan year 2025. Removal of this benefit meets federal uniform modification standards.

OTHER ADJUSTMENTS

CKY has negotiated 2025 provider discount levels as a percent of Medicare that are different from the percent of Medicare reimbursement levels underlying the 2023 experience. We adjust CKY's 2025 Index Rate for the difference between the 2023 and 2025 provider reimbursement levels as a percent of Medicare, changes in county level enrollment mix, changes to Pharmacy Benefit Manufacturer (PBM) contracts, and for the addition of capitated vision and fitness benefits.



SECTION 6. MANUAL RATE ADJUSTMENTS

We determine CKY's 2023 individual experience of approximately [REDACTED] member months is fully credible, and therefore, do not develop a manual rate.

SECTION 7. CREDIBILITY OF EXPERIENCE

CKY's 2023 ACA-compliant experience includes claims for approximately [REDACTED] member months, which we consider 100% credible.

SECTION 8. ESTABLISHING THE INDEX RATE

The Projected Index Rate is a measurement of the average allowed claims PMPM for EHBs. The Projected Index Rate reflects the projected 2025 mixture of smoker / non-smoker population, area factors, and the projected mixture of risk morbidity that CKY expects to receive in the Single Risk Pool. The Projected Index Rate has not been adjusted for payments and charges projected under the risk adjustment program or for Marketplace user fees. Worksheet 1, Section II of the URRT demonstrates the build-up of the Projected Index Rate.

PROJECTED INDEX RATE

Worksheet 1, Section II of the URRT demonstrates the build-up of the projected Index Rate. Section 5 Projection Factors describes the development of the projected Index Rate. The projected Index Rate covers a 12-month period for individuals effective January 1, 2025 through December 31, 2025. As described in Section 5, the projected Index Rate reflects the anticipated claim level of the projection period with respect to trend, benefits, and demographics.

SECTION 9. DEVELOPMENT OF THE MARKET-WIDE ADJUSTED INDEX RATE

The Market Adjusted Index Rate was calculated as the Projected Index Rate adjusted for all allowable market wide modifiers as defined in the market rating rules, 45 CFR Part 156, §156.80(d)(1). The development of the Market Adjusted Index Rate is illustrated in Worksheet 1, Section II of the URRT and in Table 4 below.

Table 4 CareSource Kentucky Co. Kentucky Individual ACA Plans Market Adjusted Index Rate Development		
		Annotation
2025 Index Rate PMPM		(1)
Market Adjustments (paid basis)		
Gross Risk Adjustment		(2)
Net Reinsurance		(3)
Exchange User Fees		(4)
Paid-to-Allowed Ratio		(5)
Market Adjustments (allowed basis)		
Gross Risk Adjustment		(6) = (2) / (5)
Net Reinsurance		(7) = (3) / (5)
Exchange User Fees		(8) = (4) / (5)
Market Adjusted Index Rate PMPM		(9) = (1) + ((6) + (7) + (8))

RISK ADJUSTMENT PAYMENT / CHARGE

Experience Period Risk Adjustment and Reinsurance Adjustments PMPM

CKY will [REDACTED] in 2023 risk adjustment transfers based on CMS final 2023 risk adjustment report for Kentucky individual ACA members. This amount does not include the risk adjustment administrative fee.

Projected Risk Adjustments PMPM

Risk transfer payments are estimated at the plan level using the published transfer payment formula, considering CKY's expected differences from the state average. The composite risk adjustment transfer payments are allocated proportionally to all plans based on plan premiums. CKY estimates it [REDACTED]. We estimate the 2025 risk adjustment based on a combination of the CKY 2023 experience underlying our rate development, consideration for the estimated 2023 risk adjustment transfers by metal level, and a comparison of historical risk transfer payments relative to CKY's earned premium at the metal level. The risk adjustment is developed as a percent of premium projected based on anticipated shifts to the state metallic mix in order to account for any changes in statewide premium.

[REDACTED] risk adjustment administrative fee.

Based on current regulatory guidance, we assume that the high-cost enrollee risk pooling program will be cost neutral for CKY, and as such, we do not make an explicit adjustment for this program in CKY's 2025 risk adjustment transfer estimate.

REINSURANCE

There are no federal or state reinsurance programs expected to impact CKY expected costs in 2025.

EXCHANGE USER FEES

CKY is writing all projected business through the Kentucky state-based exchange in 2025, which is funded through the GAP assessment. Therefore, we anticipate no federal exchange fees.

PAID TO ALLOWED RATIOS

The average paid to allowed ratio was developed as follows:

$$\frac{\text{Weighted Average Paid Claim PMPM by Plan}}{\text{Weighted Average Allowed Claim PMPM by Plan}}$$

The weighted average in both the numerator and denominator was developed based on projected member months by plan, as presented in Worksheet 2, Section IV of the URRT.

SECTION 10. PLAN ADJUSTED INDEX RATE

Plan Adjusted Index Rates reflect the Market Adjusted Index Rate adjusted for allowable plan level modifiers defined in the market rating rules, 45 CFR Part 156, §156.80(d)(2). This is summarized as follows:

Market Adjusted Index Rate

- x (1) Plan actuarial value and cost sharing value factor.
- x (2) Plan provider network, delivery system characteristics, and utilization management practices factor.
- x (3) Benefits provided by the plan that are in addition to EHB.
- x (4) Distribution and administrative costs, excluding user exchange fees.
- x (5) With respect to catastrophic plans, the expected impact of the specific eligibility categories for those plans. CKY is not offering a catastrophic plan in 2025.

The applicable adjustment factors for each plan are illustrated in Worksheet 2, Section III of the URRT.

ACTUARIAL VALUE AND COST SHARING DESIGN OF THE PLAN

The impact of each plan's actuarial value and cost sharing includes the expected impact of each plan's cost-sharing amounts on the member's utilization of services, excluding expected differences in the morbidity of the members assumed to select the plan. In other words, these adjustments are based only on utilization expectations related to the comparative richness of each benefit plan and not on the people who select such a plan. The Milliman *HCGs* were used to estimate the value of cost-sharing and relative utilization of services for each plan. Our pricing models assume the same demographic and risk characteristics for each plan, thereby excluding expected differences in the morbidity of members assumed to select the plan.

The *HCGs* provide a flexible, but consistent basis for the determination of claim costs for a wide variety of health benefit plans. These rating structures are used to anticipate future claim levels, evaluate past experience, and establish interrelationships between different health coverages.

The Milliman *HCGs* are developed as a result of Milliman's continuing research on health care costs. They were first developed in 1954 and have been updated and expanded annually since then. These guidelines are continually monitored as we use them in measuring the experience or evaluating the rates of our clients and as we compare them to other data sources.

The *HCGs* are a cooperative effort of all Milliman health actuaries and represent a combination of their experience, research, and judgment. An extensive amount of data is used in developing these guidelines, including published and unpublished data. In most instances, cost assumptions are based upon our evaluation of several data sources and, hence, are not specifically attributable to a single source. Since these guidelines are a proprietary document of Milliman, they are only available for release to specific clients that lease these guidelines and to Milliman consulting health actuaries.

The AV pricing values reflect full plan liability for CSR plans.

PROVIDER NETWORK, DELIVERY SYSTEM CHARACTERISTICS AND UTILIZATION MANAGEMENT PRACTICES

CKY provided their estimated provider network reimbursement rates based on their contractually negotiated reimbursement arrangements to date. Negotiations are ongoing, and contractual provider reimbursements may vary from the ones we assume in our pricing. Section 5 Projection Factors - Other Adjustments provides additional details.

BENEFITS IN ADDITION TO EHBS

Product 45636KY001 does not include any non-EHB benefits. Product 45636KY002 includes non-EHB benefits of adult eyewear, fitness, and routine eye examinations so an adjustment is made within this product.

ADMINISTRATIVE COSTS (EXCLUDING EXCHANGE USER FEES AND REINSURANCE FEES)

We estimate CKY's administrative expenses to be [REDACTED], as shown in Table 5. This estimate is entered as a percent of premium that varies by plan due to certain PMPM expenses entered as a level PMPM regardless of metal type as shown in Worksheet 2, Section III of the URRT. It is based on CareSource's estimate of 2024 projected expenses. This amount does not include any profit, risk load, taxes, or assessments described below.

Table 5 CareSource Kentucky Co. Kentucky Individual ACA Plans Summary of Administrative Expenses		
	Administrative Expense	
	PMPM	% of Premium
General Admin	[REDACTED]	[REDACTED]
Quality Improvement / Health IT	[REDACTED]	[REDACTED]
Commercial Reinsurance Recoveries	[REDACTED]	[REDACTED]
Commercial Reinsurance Premiums	[REDACTED]	[REDACTED]
Subtotal: Administrative Expense Load	[REDACTED]	[REDACTED]

Note: Values are rounded.

PROFIT AND RISK LOAD

We build in [REDACTED] for a target pre-tax contribution to surplus that varies by plan. We do not build in any additional loads for profit or risk. We consider the uncertainty of estimated claims in the 2025 market and federal MLR requirements in the target.

TAXES AND FEES

Table 6 provides a breakdown of projected taxes and fees.

Table 6 CareSource Kentucky Co. Kentucky Individual ACA Plans Summary of Taxes and Fees		
	Taxes and Fees	
	PMPM	% of Premium
State Premium Tax	[REDACTED]	[REDACTED]
Risk Adjustment Admin Fee	[REDACTED]	[REDACTED]
Comparative Effectiveness Research Fee	[REDACTED]	[REDACTED]
GAP Assessment Fee	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]

Note: Values are rounded.

CATASTROPHIC ADJUSTMENT

CKY will not offer any catastrophic plans in 2025; therefore, there is no catastrophic adjustment.

SECTION 11. CALIBRATION

AGE CALIBRATION FACTOR

To develop the age calibration factor, we calculate the CMS federal age curve factors on a projected membership basis. The age curve calibration is applied to all plans. We use the underlying demographic mix assumptions as described in Section 5. The average age curve calibration factor is [REDACTED] which includes an additional [REDACTED] to account for the three-child cap premium load. The calibration to the age curve complies with the rating rules specified in 45 CFR Part 147, §147.102.

Exhibit 2 provides an illustration for the development of the applicable calibration factor for age.

GEOGRAPHIC CALIBRATION FACTOR



TOBACCO USE RATING FACTOR CALIBRATION

CKY applies a tobacco premium load for users ages 21 and over that varies by age. We determine this rate is reasonable as it results in a nearly identical weighted average premium adjustment compared to the projected tobacco morbidity surcharge. The tobacco rating factors are [REDACTED]. Exhibit 4 displays the development of the tobacco adjustment factor.

SECTION 12. CONSUMER ADJUSTED PREMIUM RATE DEVELOPMENT

The Consumer Adjusted Premium Rate is the final premium rate for a plan charged to an individual utilizing the rating and premium adjustments, as articulated in the applicable market reform rating rules. It is the product of the Plan Adjusted Index Rate, the age calibration factor, the geographic calibration factor, and the tobacco calibration factor.

The applicable adjustment factors for each plan are illustrated in Worksheet 2, Section III of the URRT.

SECTION 13. PROJECTED LOSS RATIO

The projected loss ratio based on federally prescribed MLR methodology is [REDACTED] as shown in Exhibit 5. This loss ratio is calculated consistently with the MLR methodology, according to the National Association of Insurance Commissioners, as prescribed by 45 CFR 158. Section 13 values may not tie to URRT Worksheet 2, Section IV, since the calculations do not consider the same exclusions / adjustments.

The Exhibit 5 loss ratio is a single year value only. To the extent this amount, on a three-year rolling average basis, and after applying applicable credibility adjustments, falls below the federal 80% threshold, CareSource will comply with all federal rebate regulations found in Public Health Service Act (PHS Act) section 2718.

SECTION 14. AV METAL VALUES

The AV Metal Values included in Worksheet 2, Section I of the URRT were developed using the 2025 CMS Actuarial Value calculator and are shown in Attachment B.

SECTION 15. MEMBERSHIP PROJECTIONS

CareSource projected membership (as displayed in Worksheet 2, Section IV of the URRT) is detailed in Table 7 below. We base CKY's projected 2025 enrollment off past CKY membership and CKY marketing projections.

Table 7 CareSource Kentucky Co. Kentucky Individual ACA Plans Projected 2025 Member Months				
Product Type	KY001	KY002	Total	% Distribution
Gold				
Silver				
Bronze				
Total				

Methodology to Project Cost Sharing Reduction (CSR) Eligibles: CareSource estimated CSR eligibles based on projected 2025 CKY membership.

Projected Cost Sharing Reduction (CSR) Eligibles: For the Silver level plans, we assume a member will generally select the richest benefit plan the member qualifies for a given income level (we understand that some individuals will not select the richest subsidy for which they qualify based on personal preference, but do not expect this impact to be material). Table 8 shows the projected distribution across the Silver level plans.

Table 8 CareSource Kentucky Co. Kentucky Individual ACA Plans Assumed Member Distribution Across Silver Metal Tier	
Silver Plan	Assumed Member Distribution
Silver 94%	
Silver 87%	
Silver 73%	
Silver 70%	

SECTION 16. PLAN TYPE

The applicable plan type for each plan has been noted in Worksheet 2, Section I of the URRT. They are consistent with the available options in the drop-down box in Worksheet 2.

SECTION 17. TERMINATED PLANS AND PRODUCTS

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

SECTION 18. EFFECTIVE RATE REVIEW INFORMATION

Information is available upon request.

SECTION 19. RELIANCE

In preparing the Part I Unified Rate Review Template (URRT) and Part III Actuarial Memorandum, we rely on information provided to us by the CKY management and its affiliates. To the extent that it is incomplete or inaccurate, the contents of the URRT and Actuarial Memorandum, along with many of our conclusions, may be materially affected.

We perform a limited review of the data used directly in the analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of the assignment.

A data reliance letter is attached to this rate submission.

SECTION 20. ACTUARIAL CERTIFICATION

I, Kenneth R. Laskowski, Senior Consulting Actuary with the firm of Milliman, Inc., am a member of the American Academy of Actuaries and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. This filing is prepared on behalf of CareSource.

I certify to the best of my knowledge and judgment:

1. The Projected Index Rate is:
 - In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80(d)(1)).
 - Developed in compliance with the applicable Actuarial Standards of Practice.
 - Reasonable in relation to the benefits provided and the population anticipated to be covered.
 - Neither excessive, nor deficient, based on my best estimates of the 2025 individual market.
2. The Projected Index Rate and only 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.
3. The geographic rating factors shown in Worksheet 3 of the Part I Unified Rate Review Template (URRT) reflect only differences in the costs of delivery (e.g., unit costs, provider practice pattern differences) and do not include differences for population morbidity by geographic area.
4. The CMS Actuarial Value Calculator was used to determine the AV Metal Values shown in Worksheet 2, Section I of the URRT for all plans.
5. The premium rates filed are prepared in conformity with the Actual Standards of Practice (ASOPs) promulgated by the Actuarial Standards Board that are checked below. Note, ASOP 26 does not apply since this certification is for individual health insurance only.

CHECK LIST OF ACTUARIAL STANDARDS OF PRACTICE (ASOPs) FOR STATEMENT 5 ABOVE

- x ASOP No. 5 – Incurred Health and Disability Claims
- x ASOP No. 8 – Regulatory Filings for Health Benefits, Accident and Health Insurance, and Entities Providing Health Benefits
- x ASOP No. 12 – Risk Classification (for All Practice Areas)
- x ASOP No. 23 – Data Quality
- x ASOP No. 25 – Credibility Procedures
- x ASOP No. 41 – Actuarial Communications
- x ASOP No. 42 – Health and Disability Actuarial Assets and Liabilities other than Liabilities for Incurred Claims
- x ASOP No. 50 – Determining Minimum Value and Actuarial Value under the Affordable Care Act
- x ASOP No. 56 – Modeling

The URRT does not demonstrate the process used to develop proposed premium rates. It is representative of information required by Federal regulation to be provided in support of the review of rate increases, for certification of qualified health plans for federally facilitated exchanges, and for certification that the Index Rate is developed in accordance with Federal regulation and used consistently and only adjusted by the allowable modifiers.

Milliman has developed certain models to estimate the values included in this filing. The intent of the models was to estimate 2025 rates for individual policies offered in the ACA market. We reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice (ASOP).

The 2025 plan year premium rates provided in this Actuarial Memorandum were developed based upon the current Affordable Care Act (ACA) statutes and regulations, relevant CMS and HHS guidance, Executive Orders, relevant Kentucky statutes and regulations, and court decisions in full force and effect as of the submission of this Actuarial Memorandum, including, but not limited to, the cost-sharing reduction subsidies not being funded for the 2025 plan year. Accordingly, CKY retains and reserves the right to amend this Actuarial Memorandum and 2025 plan premium rates should there be any changes to the ACA statutes and regulations, relevant CMS and HHS guidance, Executive Orders, relevant Kentucky statutes and regulations, and court decisions.

This filing assumes the enhanced premium tax credit subsidies from the American Rescue Plan (ARP) continue in 2025 based on the Inflation Reduction Act (IRA) and that Medicaid maintenance of effort redeterminations are rolled out in 2023 and 2024. We develop 2025 rates from the 2023 experience period with no adjustments for COVID-19. It is possible the COVID-19 pandemic can have a continued material impact on morbidity, enrollment, providers, and other factors related to the individual market.

The information provided in this Actuarial Memorandum is in support of the items illustrated in the URRT and does not provide an actuarial opinion regarding the process used to develop proposed premium rates. It does certify that rates were developed in accordance with applicable regulations, as noted. The results are actuarial projections. Actual experience will differ for a number of reasons including, but not necessarily limited to, population changes, claims experience, and deviations from assumptions.

Respectfully submitted,

Kenneth R. Laskowski, FSA, MAAA
Senior Consulting Actuary
Milliman, Inc.

KRL/zk

Attachments

RELIANCE LETTER



May 23, 2024

Kenneth R. Laskowski, FSA, MAAA
Senior Consulting Actuary
Milliman, Inc.
17335 Golf Parkway, Suite 100
Brookfield, WI 53045

Re: CareSource Kentucky Co's 2025 Individual Pricing Reliance Letter

Dear Kenneth:

I, Rylan Austin, VP of Actuarial Science, CareSource, Inc., hereby affirm the data sources, assumptions, and information identified below and provided to Milliman, Inc. for developing CareSource's 2025 individual commercial premium rates were prepared under my direction. These items were relied upon by Milliman and are, to the best of my knowledge, accurate and complete. Finally, I affirm all information that affects the 2025 individual premium rate development has been given to you, and I have disclosed all items of which I am aware that would have a material impact on the rate projections. The information provided includes:

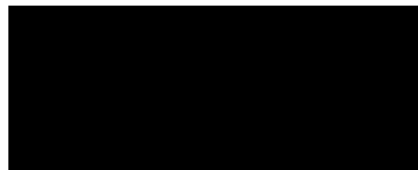
1. Specific 2024 plans CareSource intends to renew or terminate,
2. Benefit plans and networks CareSource will offer in 2025,
3. The rating regions in which CareSource offers products in 2025,
4. Allowed claims adjustment to account for shorter average duration of enrolled members in 2023,
5. HIOS Product Names, Product IDs, and Plan Names for each 2025 benefit plan,
6. Renewal / new plan status based on compliance with the Uniform Modification regulations,
7. Historical 2023 claim experience, utilization information, IBNR, administrative costs, and membership for CareSource's products and plans,
8. Estimates of CareSource's 2023 risk adjustment transfer payments/receivables,
9. Projected 2025 administrative expenses and target profit margin,
10. Emerging 2024 enrollment by county, plan, and demographics,
11. Guidance on appropriate utilization and unit cost trend assumptions,
12. Projected savings from prescription drug initiatives and utilization and care management programs,
13. Projected 2025 enrollment by county and benefit plan,
14. Guidance on adjustments to geographic rating area factors to be used for 2025 pricing, and information regarding the calculations and assumptions used in their development,
15. Description of contractual provider reimbursement arrangements, including 2023 and projected 2025 provider reimbursements by service category and area,
16. The 2025 PMPM cost for payments related to added benefits (both EHB and non-EHB),
17. Anticipated 2025 costs for capitation arrangements,
18. Risk-adjusted loss ratio and operating margin information used to inform projected metallic relationships,
19. Assurance that CareSource has completed the plan benefit template and has found no meaningful discrepancies in Actuarial Value calculations, and



20. Other information provided by CareSource in various meetings, phone calls, emails, and other correspondence.

05/23/2024

Date



Signature