

This filing is for Anthem's 2027 Small Group nongrandfathered ACA block of business. Effective January 1, 2027, Anthem's SG plans will only be offered off exchange. The average requested rate increase request is 10.72 percent, ranging from 6.95percent to 15.25 percent. The projected pricing loss ratio for this block is 84.6percent for the 2027 rating period. This is equivalent to an estimated 86.5 percent ACA-defined MLR for rebate calculation purposes. The assumed profit margin is 4.7 percent. The ACA-defined loss ratio exceeds the minimum requirement of 80.0 percent by 6.5 percent therefore, the profit margin assumption was not considered unreasonable. In our opinion, the proposed rates are not unreasonable, and we recommend approval of the requested average rate change of 10.72 percent. Anthem developed its 2027 rates using its 2025 ACA-compliant small group plan experience, which consisted of about 13.3K members and was considered 100 percent credible for rating purposes. Anthem's standard for fully credible experience is approximately 9K members. Key assumptions Based Experience Calendar year 2025 claims data paid through March 2026. The Company's projected 2027 Non-Benefit Expenses are estimated to be 12.0percent of premium. Administrative Expenses 4.4 percent, Taxes Fees 2.8 percent, Profit Risk Margin 4.7 percent. Anthem assumed an annual allowed trend rate of 9.3percent, which translates to a paid trend rate of 10.3 percent. This was developed by normalizing historical benefit expenses for population changes and known cost drivers e.g., contracting, cost of care initiatives, drug pipeline, generic introductions. The filing underwent thorough review. The actuary responded to all inquiries and provided supporting documentation and exhibits. While actual results may vary due to market uncertainties, the assumptions were adequately supported. Based on the review, and with no substantial compliance issues under 806 KAR 17150, the rate filing was approved with an average increase of 10.72 percent.