

This filing is for Anthem's 2025 Individual non-grandfathered ACA compliant block of business. The initially filed average requested rate increase was 10.2%. During the course of our review, the Company agreed to revise its pricing trend assumption, risk adjustment assumption, adjustment for Senate Bill 188, and adjusted their base period experience for favorable development. The revised final average requested rate change is 8.6%, ranging from -2.3% to 19.0%.

The projected pricing loss ratio for this block is 80.7% for the 2025 rating period. This is equivalent to an 82.9% ACA-defined MLR for rebate calculation purposes. The assumed profit margin is 5.1%. The ACA-defined loss ratio exceeds the minimum requirement of 80.0% by 2.9%, therefore, the profit margin assumption was not considered unreasonable.

SUMMARY OF RATE DEVELOPMENT, ASSUMPTIONS, AND CHANGES

Anthem used its 2023 ACA-compliant individual plan's experience in the development of the proposed 2025 rates. Anthem considered this experience 100% credible with about 28K members, which exceeded its minimum threshold standard for full credibility of approximately 12K members. The following items are material assumptions and/or adjustments made in the develop of the proposed 2025 premium rates:

Base Period Experience: Calendar year 2023 claims data is used as the base period experience for the development of the 2025 rates. As initially filed, the 2022 claims data used was paid through March 2024. During the course of the review, this was updated to include data paid through May 2024. This decreased rates by 0.9% compared to the initial filing.

Trend: Anthem assumed an annual allowed trend rate of 7.2%, which translates to a paid trend rate of 8.5%. Anthem developed its trend by normalizing historical benefit expense for changes in the underlying population and known cost drivers, which are then projected forward to develop the pricing trend. Examples of such changes include contracting, cost of care initiatives, workdays, average wholesale price, expected introduction of generic drugs, the prescription drug pipeline, etc.

Anthem acknowledged the original allowed trend assumption of 8.6% included a 1.4% provision for adverse deviation. During the review, Anthem reduced the provision for adverse deviation to 0.0% resulting in the final allowed trend assumption of 7.2%.

Non-benefit expense: The Company's projected 2024 Non-Benefit Expenses (NBE) are estimated to be 15.9% of premium.

- Administrative Expenses: 7.9%
- Taxes & Fees: 3.0%
- Profit & Risk Margin: 5.1%

The Company's current 15.9% NBE assumption is consistent with last year's NBE assumption of 15.7%.

DESCRIPTION OF FILING REVIEW PROCESS WITH INSURER

The submitted filing was reviewed and questions requesting additional information and documentation were sent to the carrier. Anthem's actuary provided both text answers and spreadsheet exhibits in response to these questions.

Anthem provided satisfactory supporting documentation for its assumptions, including for modifications made during the review. Given the wide range of possible scenarios and magnitude and uncertainty of actual market purchaser characteristics, it is not unlikely that results will vary from the company's assumptions. Therefore, this rate filing was approved with the average rate increase of 8.6%.