

ACTUARIAL MEMORANDUM

1. General Information

- Company Identifying Information

Company Legal Name:	Anthem Insurance Companies, Inc.
State:	Indiana
HIOS Issuer ID:	17575
NAIC Company Code:	28207
Market:	Individual
Effective Date:	January 1, 2020

- Company Contact Information

Primary Contact Name:	Aaron Smith
Primary Contact Telephone Number:	(317) 287-6452
Primary Contact Email Address:	Aaron.Smith@anthem.com

2. Scope and Purpose of the Filing

This is a rate filing for the Individual market ACA-compliant plans offered by Anthem Insurance Companies, Inc., also referred to as Anthem. The policy form associated with this plan is listed below. The proposed rates in this filing will be effective for the 2020 plan year beginning January 1, 2020, and apply to plans Off-Exchange.

The Memorandum provides support to the rate development and demonstrates that rates are established in compliance with state laws and provisions of the Affordable Care Act. The rates proposed in this submission reflect the insurer participation in the market and regulatory framework as of June 12, 2019. If the regulatory framework or insurer participation in the market change after this date, proposed rates may no longer be appropriate and should be reevaluated for revision and resubmission. This rate filing is not intended to be used for other purposes.

Policy Form Number(s):

IN_OFFHIX_HMO_01-20

3. Proposed Rate Increase(s)

The proposed rates have been developed from Anthem's 2018 ACA experience, blended with manual rates. The legal entity specific ACA experience has been assigned 1.7% credibility in the rate development.

In this filing, Anthem is submitting rates for a Catastrophic plan to be available Off-Exchange only, within Rating Region 5. The proposed annual rate change for the product in this filing is 3.0%, with the rate change for the plan also 3.0%. This rate change is consistent with what is reported in the Unified Rate Review Template. Exhibit A shows the rate change for this plan.

Factors that affect the rate change for this plan include:

- Emerging experience different than projected.
- Trend: This includes the impact of inflation, provider contracting changes, and changes in utilization of services.
- Morbidity: There are anticipated changes in the market-wide morbidity of the covered population in the projection period.
- Benefit modifications.
- Changes in taxes, fees, and some non-benefit expenses, including the reinstatement of Health Insurer Tax in 2020.
- Updated adjustment factors for the catastrophic plan.
- Changes in the area claim cost relativity.

4. Experience and Current Period Premium, Claims, and Enrollment

The experience period premium and claims reported in Worksheet 1, Section I of the Unified Rate Review Template (URRT) are for the non-grandfathered, single risk pool compliant policies of the identified legal entity in the Individual market.

- Paid Through Date

The experience reported in Worksheet 1, Section I of the URRT reflects the incurred claims from January 1, 2018 through December 31, 2018 based on claims paid through March 31, 2019.

- Current Date

The Current Date for Current Enrollment and Current Premium PMPM in Worksheet 2, Section II of the URRT is March 31, 2019.

- Experience Period Premium

The earned premium prior to MLR rebate is \$225,692. The earned premium reflects the pro-rata share of premium based on policy coverage dates.

The preliminary MLR rebate estimate is \$0, which is consistent with Anthem's December 31, 2018 general ledger estimate allocated to the non-grandfathered portion of Individual business. This is an estimated amount and will not be final until 7/31/2019. Using this MLR estimate, the net earned premium is \$225,692 for the legal entity as reported in cell E18 of Worksheet 1, Section I of the URRT.

- Allowed and Incurred Claims Incurred During the Experience Period

The allowed claims are determined by subtracting non-covered benefits, provider discounts, and coordination of benefits amounts from the billed amount.

Allowed and incurred claims are completed using the chain ladder method, an industry standard, by using historic paid vs. incurred claims patterns. The method calculates historic completion percentages, representing the percent of cumulative claims paid of the ultimate incurred amounts for each lag month. Claim backlog files are reviewed on a monthly basis and are accounted for in the historical completion factor estimates.

Allowed and incurred claims reported in Worksheet 1, Section I of the URRT are \$81,894 and \$58,192, respectively. These amounts differ from those shown in Exhibit B due to the URRT including Rx Rebates.

5. Benefit Categories

The methodology used to determine benefit categories in Worksheet 1, Section II of the URRT is as follows:

- 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, vision exams, and dental services.
- Capitation: Includes all services provided under one or more capitated arrangements.
- Prescription Drug: Includes drugs dispensed by a pharmacy and rebates received from drug manufacturers.

6. Projection Factors

The experience period claims in Worksheet 1, Section I of the URRT are projected to the projection period using the factors described below. Exhibit C provides a summary of the factors.

- Trend Factors (cost/utilization)

- The annual pricing trend used in the development of the rates is 10.1%. This annual pricing trend is applied to both Years 1 and 2 in Worksheet 1 of the URRT. 12.0 months of trend are applied to Year 1 and 12.0 months of trend to Year 2. The trend is developed 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, and expected introduction of generic drugs. For projection, the experience period claims are trended 24.0 months from the member-weighted midpoint of the experience period, which is July 1, 2018, to the member-weighted midpoint of the projection period, which is July 1, 2020. Exhibit E has details.

- Changes in Demographics (Normalization)

The experience period claims are normalized to reflect anticipated changes in age/gender, area, network, and benefit plan in the projection period. Exhibit D provides detail of each normalization factor below:

- Age/Gender: The assumed claims cost is applied by age and gender to the experience period membership distribution and the projection period membership distribution.
- Area/Network: The area claims factors are developed based on an analysis of allowed claims by network, mapped to the prescribed rating areas using the subscriber's 5-digit zip code.
- Benefit Plan: The experience period claims are normalized to reflect the average benefit level in the projection period using benefit relativities. The benefit relativities include the value of cost shares and anticipated changes in utilization due to the difference in average cost share requirements.

- Plan Design Changes

Changes in benefits include the following items. Exhibit E shows each adjustment factor.

- Rx Adjustments: Adjustments are made to reflect differences in the Rx formulary, Rx networks and discounts, and mail order programs between the experience period and the projection period.

- Other Adjustments

Other adjustments to the experience claims data include the following items. Exhibit E and Exhibit F show the factors used for each adjustment.

- Rx Rebates: The projected claims cost is adjusted to reflect anticipated Rx rebates. These projections take into account the most up-to-date information regarding anticipated rebate contracts, drug prices, anticipated price inflation, and upcoming patent expirations.
- Projected costs of pediatric dental and vision benefits are included.

7. Manual Rate Adjustments

The experience period claims are not 100% credible based on the credibility method used. Therefore, a manual rate was used in the rate development.

The source data used for the manual rate is the experience incurred from January 1, 2017 through December 31, 2017 and paid through March 31, 2019 from Anthem's Individual ACA business. These claims, when blended with the 2018 ACA experience, will most reasonably reflect the anticipated experience in the projection period.

- Adjustments Made to the Data

The source data underlying the manual rate has been adjusted by the factors below in developing the projected claims. Exhibit C- Manual Rate Column has details.

Trend Factors (cost/utilization)

- The annual pricing trend used in the development of the rates is 10.1%. The trend is developed 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, costs associated with Hepatitis C, compound drugs, average wholesale price, and expected introduction of generic drugs. For projection, the experience period claims are trended 36.0 months from the midpoint of the experience period, which is July 1, 2017, to the midpoint of the projection period, which is July 1, 2020. Exhibit E has details.

Morbidity Adjustment

The projected population consists of expected retention of existing policies and new sales. The sources of new entrants include the previously uninsured population, grandfathered policies migrating to ACA-compliant plans, and previously insured populations from other carriers. The morbidity adjustment reflects projected Anthem and market changes in morbidity. Fully credible 2017 experience was used for manual rating because the current 2018 experience period has very low credibility. We adjusted the manual base rates which includes all metal plans to reflect 2020 Catastrophic Plan offerings only. 2020 Market morbidity is assumed to remain stable. Exhibit E shows the morbidity factor.

Changes in Demographics (Normalization)

The data underlying the manual rate is normalized to reflect anticipated changes in age/gender, area, network, and benefit plan in the projection period. Exhibit D provides detail of each normalization factor below:

- Age/Gender: The assumed claims cost is applied by age and gender to the source data membership distribution and the projection period membership distribution.
- Area/Network: The area claims factors are developed based on an analysis of allowed claims by network, mapped to the prescribed rating areas using the subscriber's 5-digit zip code.
- Benefit Plan: The source data is normalized to reflect the average benefit level in the projection period using benefit relativities. The benefit relativities include the value of cost shares and anticipated changes in utilization due to the difference in average cost share requirements.

Plan Design Changes

Changes in benefits include the following items. Exhibit E shows each adjustment factor.

- Essential Health Benefit (EHB) Changes: Adjustments are made to reflect the expansion of Anthem's smoking cessation program.
- Rx Adjustments: Adjustments are made to reflect differences in the Rx formulary, Rx networks and discounts, and mail order programs between the experience period and the projection period.

Other Adjustments

- Induced Demand Due to Cost Share Reductions: Individuals who fall below 250% of the Federal Poverty Level and enroll in On-Exchange silver plans will be eligible for cost share reductions. The percentage of enrollment in CSR Plans in the experience period is compared to that of the projection period to adjust for the different induced demand level due to CSR between the two periods.

- Rx Rebates: The projected claims cost is adjusted to reflect anticipated Rx rebates. These projections take into account the most up-to-date information regarding anticipated rebate contracts, drug prices, anticipated price inflation, and upcoming patent expirations.

- Projected cost of pediatric dental and vision benefits are included.

8. Credibility of Experience

- Credibility Method Used

Based on an analysis of historical data, the standard for fully credible experience is 101,629 members.

To determine credibility, the following formula was used: $\sqrt{\text{experience period members} / 101,629}$

- Resulting Credibility Level Assigned to Base Period Experience

With 28 members, the credibility level assigned to the experience period claims is 1.7%.

9. Establishing the Index Rate

- Experience Period Index Rate

The experience period Index Rate is equal to the allowed claims PMPM for the essential health benefits of Anthem's non-grandfathered business in the Individual market. The experience period Index Rate is \$243.01. Due to rounding restrictions in the URRT, the experience period Index Rate displayed in Worksheet 1, Section II of the URRT may be slightly different from this number. No benefits in excess of the essential health benefits have been included in this amount. A comparison to the benchmark was performed, and only essential health benefits were covered during the experience period.

- Projection Period Index Rate

The projection period Index Rate is equal to projected allowed claims PMPM for the essential health benefits of Anthem's non-grandfathered business in the Individual market. It reflects the anticipated claim level of the projection period including impact from trend, benefit and demographics as described in Section 6 of this memo.

The projected Index Rate is reported in Worksheet 1, Section II, cell F42 of the URRT and is also shown in Exhibit C. Note there are minor variances between the projection period Index Rate in the URRT and Actuarial Memorandum due to rounding methodology in the URRT. No benefits in excess of the essential health benefits have been included in this amount.

10. Development of the Market-wide Adjusted Index Rate

The Market-wide Adjusted Index Rate is calculated as the Index Rate adjusted for all allowable market-wide modifiers defined in the market rating rules. The three market-wide adjustments - Risk Adjustment, Reinsurance, and Exchange User Fee adjustment - are described below. In compliance with URR Instructions, these adjustments were applied on an allowed basis in the development of the Market-wide Adjusted Index Rate. Exhibit C illustrates the development of the Market-wide Adjusted Index Rate. Note that there are minor variances between the Market-wide Adjusted Index Rate in the URRT and Actuarial Memorandum due to rounding methodology in the URRT.

- Projected Risk Adjustments PMPM

Projection period risk adjustments are estimated based on the HHS payment transfer formula. An independent consultant's study and CMS preliminary 2018 risk adjustment transfers are used to develop the assumptions for the company's relative risk to the market. Projected changes in population movements and demographics that may affect risk adjustments are also considered, as well as the impact of high-cost risk pooling. Given this filing contains only a Catastrophic plan offering in 2020, and no other carriers in the market offer a Catastrophic plan, we project to be neither a receiver nor a payer in the risk adjustment pool. However, included in the rate development is a fee associated with the CMS high-cost risk pool market assessment.

The projected risk adjustment PMPMs reported in Worksheet 2 of the URRT are on a paid claim basis, while the projected amount applied to the development of Market-wide Adjusted Index Rate is on an allowed claim basis. Exhibit C and Exhibit G provide details.

- Projected ACA Reinsurance Recoveries Net of Reinsurance Premium

Beginning in 2017, the Federal reinsurance program is no longer in effect. The projected reinsurance amount is \$0.

- Exchange User Fees

Exchange User Fee: The Exchange User Fee is set to zero for this legal entity since Anthem will not be participating in the Individual Exchange at this time.

11. Plan Adjusted Index Rate

The Plan Adjusted Index Rate is calculated as the Market-wide Adjusted Index Rate adjusted for all allowable plan level modifiers defined in the market rating rules. Exhibit J shows the development. The plan level modifiers are described below:

- AV and Cost Sharing Adjustments: This is a multiplicative factor that adjusts for the projected paid/allowed ratio of each plan, based on the AV metal value with an adjustment for utilization differences due to differences in cost sharing.
- Provider Network Adjustments: This is a multiplicative factor that adjusts for differences in projected claims cost due to different network discounts.
- Adjustments for Benefits in Addition to the Essential Health Benefits: A factor of 1.00 indicates that the plan does not provide benefits beyond the essential health benefits.
- Catastrophic Plan Adjustment: This adjustment reflects the projected costs of the population eligible for catastrophic plans. The catastrophic adjustment factor is applied to catastrophic plans only.
- Adjustments for Distribution and Administrative Cost: This is an additive adjustment that includes all the selling expense, administration and retention Items shown in Exhibit H.

12. Calibration

The Plan Adjusted Index Rate is calibrated by the Age, Tobacco, and Geographic factors so that the schedule of premium rates for each plan can be further developed. Exhibit K shows the calibration factors.

- Age Curve Calibration

The age factors are based on the Default Federal Standard Age Curve. The age calibration adjustment is calculated as the member weighted average of the age factors, using the projected membership distribution by age, with an adjustment for the maximum of 3 child dependents under age 21. Under this methodology, the approximate average age rounded to the nearest whole number for the risk pool is 21.

- Tobacco Factor Calibration

The tobacco calibration adjustment is calculated as the member weighted average of the tobacco factors, using the projected membership distribution by age, with an adjustment for the maximum of 3 child dependents under age 21.

- Geographic Factor Calibration

The geographic factors are developed from historical claims experience. The geographic calibration adjustment is calculated as the member weighted average of the geographic factors, using the projected membership distribution by area.

13. Consumer Adjusted Premium Rate Development

The Consumer Adjusted Premium Rate is calculated by calibrating the Plan Adjusted Index Rate by the Age, Tobacco, and Geographic calibration factors described above, and applying consumer specific age, geographic and tobacco status rating factors. Exhibit N has the sample rate calculations.

14. Projected Loss Ratio

- Projected Federal MLR

Exhibit I shows the projected Federal MLR for the product in this filing. The calculation is an estimate and is not meant to be a true measure for Federal or State MLR rebate purposes. The product in this filing represent only a subset of Anthem's Individual business. The MLR for Anthem's entire book of Individual business will be compared to the minimum Federal benchmark for purposes of determining regulation-related premium refunds. Also note that the projected Federal MLR presented here does not capture all adjustments, including but not limited to: three-year averaging, credibility, dual option, and deductible. Anthem's projected MLR is expected to meet or exceed the minimum MLR standards at the market level after including all adjustments.

15. Actuarial Value Metal Values

The Actuarial Value (AV) Metal Values reported in Worksheet 2, Section I of the URRT are based on the AV Calculator. To the extent a component of the benefit design was not accommodated by an available input within the AV Calculator, the benefit characteristic was adjusted to be actuarially equivalent to an available input within the AV Calculator for purposes of utilizing the AV Calculator as the basis for the AV Metal Values. When applicable, benefits for plans that are not compatible with the parameters of the AV Calculator have been separately identified and documented in the Unique Plan Design Supporting Documentation and Justification that supports the Plan & Benefits Template.

16. Membership Projections

Membership projections are reported in Worksheet 2, Section IV of the URRT. They are based on historical and current enrollment, and expected new sales and lapses.

17. Terminated Plans and Products

Exhibit O provides a listing of products from 2018 and 2019 that will be terminated prior to January 1, 2020.

Exhibit P provides a listing of 2018 and 2019 plans that will be terminated prior to January 1, 2020. The mapping of terminated plans to the new plans is also included.

18. Plan Type

The plan type for each plan reported in Worksheet 2, Section I of the URRT is consistent with the option chosen from the drop-down box.

19. Reliance

In support of this rate development, various data and analyses were provided by other members of Anthem's actuarial staff, including data and analysis related to cost of care, valuation, and pricing. I have reviewed the data and analyses for reasonableness and consistency. I have also relied on Michele Archer, FSA, MAAA to provide the actuarial certification for the Unique Plan Design Supporting Documentation and Justification for plans included in this filing.

20. Actuarial Certification

I, Aaron Smith, FSA, MAAA, am an actuary for Anthem. I am a member of the American Academy of Actuaries and a Fellow of the Society of Actuaries. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. I hereby certify that the following statements are true to the best of my knowledge with regards to this filing:

(1) The projected Index Rate is:

- In compliance with all applicable state and Federal statutes and regulations (45 CFR 156.80 and 147.102)
- Developed in compliance with the applicable Actuarial Standards of Practice
- Reasonable in relation to the benefits provided and the population anticipated to be covered
- Not excessive nor deficient

(2) The Index Rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 156.80(d)(2) were used to generate plan level rates.

(3) The geographic rating factors reflect only differences in the costs of delivery (which can include unit cost and provider practice pattern differences) and do not include differences for population morbidity by geographic area.

(4) The most recent AV Calculator was used to determine the AV Metal Values shown in Worksheet 2 of the Part I Unified Rate Review Template for all plans.

The Part I Unified Rate Review Template does not demonstrate the process used by the issuer to develop the rates. Rather it represents information required by Federal regulation to be provided in support of the review of rate changes, for certification of Qualified Health Plans for Federally-Facilitated Exchanges, and for certification that the Index Rate is developed in accordance with Federal regulation, used consistently, and only adjusted by the allowable modifiers. However, this Actuarial Memorandum does accurately describe the process used by the issuer to develop the rates.

The rates proposed in this submission reflect the regulatory framework and insurer participation in the market as of June 12, 2019. If the regulatory framework or insurer participation in the market change after this date, proposed rates may no longer be appropriate and should be reevaluated for revision and resubmission. Issuer market entry and exit can have a significant impact on rates through the risk adjuster mechanisms in the ACA and create a need for reconsideration and revision of proposed premium rates.



Aaron Smith, FSA, MAAA
Actuarial Director

June 12, 2019

Date

Exhibit A - Non-Grandfathered Rate Changes

**Anthem Insurance Companies, Inc.
Individual**

Rates Effective January 1, 2020

HIOS Plan Name	2020 HIOS Plan ID	On/Off		Network Name	Area(s) Offered	Plan Category	Plan Specific Rate Change (excluding aging) ^{{1},{2}}
		Exchange	Metal Level				
Anthem Catastrophic Pathway 8150	17575IN0950001	Off	Catastrophic	Pathway HMO/POS	05	Renewing	3.0%

NOTES:

{1} Plan level increases in rates do not include demographic changes in the population.

Exhibit B - Claims Experience for Rate Developments

Anthem Insurance Companies, Inc.
Individual

Experience Rate Claims Experience
Incurred January 1, 2018 through December 31, 2018
Paid through March 31, 2019

PAID CLAIMS:									
Incurred and Paid Claims:		IBNR:		Fully Incurred Claims:			Total	Member	Total
Medical	Drug	Medical	Drug	Medical	Drug	Capitation	Benefit Expense	Months	PMPM
\$47,665	\$11,571	\$611	\$0	\$48,276	\$11,571	\$226	\$60,073	337	\$178.26

ALLOWED CLAIMS:									
Incurred and Paid Claims:		IBNR:		Fully Incurred Claims:			Total	Member	Total
Medical	Drug	Medical	Drug	Medical	Drug	Capitation	Benefit Expense	Months	PMPM
\$57,994	\$23,418	\$2,137	\$0	\$60,131	\$23,418	\$226	\$83,775	337	\$248.59

Manual Rate Claims Experience
Incurred January 1, 2017 through December 31, 2017
Paid through March 31, 2019

PAID CLAIMS:									
Incurred and Paid Claims:		IBNR:		Fully Incurred Claims:			Total	Member	Total
Medical	Drug	Medical	Drug	Medical	Drug	Capitation	Benefit Expense	Months	PMPM
\$245,786,101	\$76,595,679	\$1,375,655	\$0	\$247,161,756	\$76,595,679	\$150,473	\$323,907,908	521,139	\$621.54

ALLOWED CLAIMS:									
Incurred and Paid Claims:		IBNR:		Fully Incurred Claims:			Total	Member	Total
Medical	Drug	Medical	Drug	Medical	Drug	Capitation	Benefit Expense	Months	PMPM
\$297,173,954	\$96,691,509	\$1,572,982	\$0	\$298,746,936	\$96,691,509	\$150,473	\$395,588,917	521,139	\$759.09

Note

{1} The 'Experience Rate Claims Experience' above does not account for Transitional Plans, Rx Rebates, or CSR Receivables in 'Paid Claims', whereas the claims shown in Worksheet 1, Section 1 of the URRT include them, if present.

{2} Drug Claims are processed by an external vendor.

Exhibit C - Market-wide Adjusted Index Rate Development

Anthem Insurance Companies, Inc. Individual

Rates Effective January 1, 2020

	Experience Rate	Manual Rate	
1) Starting Paid Claims PMPM	\$178.26	\$621.54	Exhibit B
2) x Normalization Factor	0.4511	0.5227	Exhibit D
3) = Normalized Claims	\$80.41	\$324.88	= (1) x (2)
4) x Plan Design Changes	0.9837	0.9848	Exhibit E
5) x Morbidity Changes	1.0000	0.7367	Exhibit E
6) x Trend Factor	1.2120	1.3343	Exhibit E
7) x Other Cost of Care Impacts	1.0000	0.9734	Exhibit E
8) = Projected Paid Claim Cost	\$95.87	\$306.12	= (3) x (4) x (5) x (6) x (7)
9) Credibility Weight	1.7%	98.3%	
10) Blended Paid Claims	\$302.63		
11) - Non-EHBs Embedded in Line Item 1) Above	\$0.00		
12) = Projected Paid Claims, Excluding ALL Non-EHBs	\$302.63		= (10) - (11)
13) + Rx Rebates	-\$16.10		Exhibit F
14) + CSR Receivable	\$0.00		Exhibit F
15) + Additional EHBs	\$0.65		Exhibit F
16) = Projected Paid Claims for EHBs	\$287.18		= (12) + (13) + (14) + (15)
17) ÷ Paid to Allowed Ratio	0.6283		
18) = Index Rate ^{2}	\$457.07		= (16) / (17)
19) Reinsurance Contribution	\$0.00		Exhibit G
20) Expected Reinsurance Payments	\$0.00		Exhibit G
21) Risk Adjustment Net Transfer	\$1.28		Exhibit G
22) Marketplace User Fee	\$0.00		Exhibit H
23) = Market-wide Adjusted Index Rate ^{3}	\$459.11		= (18)+[(19)+(20)+(21)+(22)] ÷ (17)

NOTE:

{1} Factors above are detailed in subsequent exhibits

{2} Index Rate is Projected Allowed Claims for EHBs only

{3} The Market-wide Adjusted Index Rate is the same for all plans in the single risk pool

Exhibit D - Normalization Factors

Anthem Insurance Companies, Inc. Individual

Rates Effective January 1, 2020

	Average Claim Factors - Experience Rate		Normalization Factor ⁽¹⁾
	Experience Period Population	Future Population	
Age/Gender	1.1065	0.5519	0.4988
Area/Network	1.0000	0.9309	0.9309
Benefit Plan	0.5846	0.5679	0.9714
Total			0.4511

	Average Claim Factors - Manual Rate		Normalization Factor ⁽¹⁾
	Experience Period Population	Future Population	
Age/Gender	1.0200	0.5519	0.5410
Area/Network	0.7951	0.9309	1.1708
Benefit Plan	0.6883	0.5679	0.8252
Total			0.5227

Note

{1} Normalization Factor = Future Population Factor / Experience Period Population Factor

Exhibit E - Projection Period Adjustments

Anthem Insurance Companies, Inc. Individual

Rates Effective January 1, 2020

<i>Impact of Changes Between Experience Period and Projection Period:</i>		
	<u>Experience Rate</u>	<u>Manual Rate</u>
<u>Plan Design Changes</u>		
EHB Changes	1.0000	1.0011
Rx adjustments	0.9837	0.9837
Total Benefit Changes	0.9837	0.9848
<u>Morbidity Changes</u>		
Total Morbidity Changes	1.0000	0.7367
<u>Trend & Other Cost of Care Impacts</u>		
Annual Medical/Rx Trend Rate	10.1%	10.1%
# Months of Projection	24.0	36.0
Trend Factor	1.2120	1.3343
Other Cost of Care:		
Induced Demand for CSR	1.0000	0.9734
Total other Cost of Care Impacts	1.0000	0.9734

Note

{1} Explanation of the factors above is provided in the Actuarial Memorandum

Exhibit F - Other Claim Adjustments

Anthem Insurance Companies, Inc. Individual

Rates Effective January 1, 2020

<i>Other Claim Adjustments</i>	
	<u>PMPM</u>
Rx Rebates	(\$16.10)
CSR Receivable	\$0.00
Additional EHBs	
Pediatric Dental	\$0.49
Pediatric Vision	\$0.16
Total - Additional EHBs	\$0.65
Additional non-EHBs	
None	\$0.00
Total - Additional Non-EHBs	\$0.00

NOTES:

{1} This exhibit includes projected claims from lines 13, 14, and 15 of Exhibit C and additional non EHBs.

Exhibit G - Risk Adjustment and Reinsurance - Contributions and Payments

**Anthem Insurance Companies, Inc.
Individual**

Rates Effective January 1, 2020

<u>Risk Adjustment:</u>		
PMPM		Net Transfer{1}
Federal Program		\$1.28
<u>Reinsurance:</u> ^{2}		
PMPM	Contributions Made	Expected Receipts
Federal Program	\$0.00	\$0.00
Grand Total of All Risk Mitigation Programs		\$1.28

NOTES:

{1} Projected risk adjustment transfer amount is explained in the Memorandum "Development of the Market-wide Adjusted Index Rate" Section.

{2} Federal Reinsurance Program is no longer applicable starting in 2017.

Exhibit H - Non-Benefit Expenses and Profit & Risk

Anthem Insurance Companies, Inc. Individual

Rates Effective January 1, 2020

	Expenses Applied As a PMPM Cost	Expenses Applied as a % of Premium ⁽¹⁾	Expenses Expressed as a PMPM ⁽⁵⁾
Administrative Expenses			
Administrative Costs	\$39.23		\$39.23
Quality Improvement Expense	\$7.66		\$7.66
Selling Expense	\$5.78		\$5.78
Specialty Expenses	\$0.66		\$0.66
Total Administrative Expenses	\$53.33	0.00%	\$53.33
Taxes and Fees			
PCORI Fee	\$0.00		\$0.00
ACA Insurer Fee		2.94%	\$11.04
Marketplace User Fee		0.00%	\$0.00
MLR-Deductible Federal/State Income Taxes ⁽²⁾		1.52%	\$5.71
Misc Taxes & Fees - PMPM ⁽³⁾	\$0.18		\$0.18
Total Taxes and Fees	\$0.18	4.46%	\$16.93
Profit and Risk Margin ⁽⁴⁾		4.48%	\$16.82
Total Non-Benefit Expenses, Profit, and Risk	\$53.51	8.94%	\$87.08

NOTES:

{1} The sum of the rounded percentages shown may not equal the total at the bottom of the table due to rounding.

{2} Includes only those income taxes which are deductible from the MLR denominator; in particular, Federal income taxes on investment income are excluded.

{3} Misc Taxes & Fees contains the Risk Adjustment User Fee. HHS established a per capita annual user fee rate of \$2.16 per year or \$0.18 per-enrollee-per-month.

{4} Profit and Risk Margin shown here is post-tax profit, net of those federal and state income taxes which are deductible from the MLR denominator.

{5} Anthem's Non-Benefit Expenses are applied in both PMPM and % of Premium as shown above. The last column expresses all non-benefit Expenses in PMPM only.

Exhibit I - Federal MLR Estimated Calculation

Anthem Insurance Companies, Inc. Individual

Rates Effective January 1, 2020

Numerator:

Incurred Claims ^{1}	\$287.18 Exhibit C (Line 16) + Exhibit F (Total Non-EHBs)
+ Quality Improvement Expense	\$7.66 Exhibit H
+ Risk Corridor Contributions	\$0.00
+ Risk Adjustment Net Transfer	\$1.28 Exhibit G
+ Reinsurance Receipts	\$0.00 Exhibit G
+ Risk Corridor Receipts	\$0.00
+ Reduction to Rx Incurred Claims (ACA MLR)	-\$3.17 Footnote ^{3}
= <i>Estimated Federal MLR Numerator</i>	\$292.95

Denominator:

Premiums ^{2}	\$375.54 Incurred Claims + Exhibit G (Total) + Exhibit H (Total)
- Federal and State Taxes	\$5.71 Exhibit H (Federal/State Income Taxes)
- Premium Taxes	\$0.00 Exhibit H (Premium Tax)
- Risk Adjustment User Fee	\$0.18 Exhibit H
- Reinsurance Contributions	\$0.00 Exhibit G
- Licensing and Regulatory Fees	\$11.04 Exhibit H (PCORI, ACA and Marketplace Fees)
= <i>Estimated Federal MLR Denominator</i>	\$358.61

Estimated Federal MLR

81.69% Footnote ^{4}

NOTES:

{1} Incurred Claims = Projected Paid Claims for EHB (Exhibit C Line 16) + additional non EHBs (Exhibit F Total Non-EHBs)

{2} Premiums = Incurred Claims in this exhibit + Risk Mitigation Programs in Exhibit G + Non-Benefit Expenses and Profit & Risk Margin in Exhibit H

{3} This is the amount of 2020 pharmacy claims that are attributable to PBM Administrative Expenses (i.e. the 'retail spread' or 'pharmacy claims margin'). It is calculated by applying the 3rd party margin percentage to the 2020 projected Pharmacy claims including projected rebates.

{4} The above calculation is purely an estimate and not meant to be compared to the minimum MLR benchmark for federal/state MLR rebate purposes:

* The above calculation represents only the products in this filing. Federal MLR will be calculated at the legal entity and market level.

* Not all numerator/denominator components are captured above (for example, fraud and prevention program costs, payroll taxes, assessments for state high risk pools etc.).

* Other adjustments may also be applied within the federal MLR calculation such as 3-year averaging, new business, credibility, deductible and dual option. These are ignored in the above calculation.

* Licensing and Regulatory Fees include ACA-related fees as allowed under the MLR Final Rule.

Exhibit J - Plan Adjusted Index Rate and Consumer Adjusted Premium Rates

Anthem Insurance Companies, Inc.
Individual

Rates Effective January 1, 2020

HIOS Plan Name	HIOS Plan ID	Market Adjusted Index Rate (Exhibit C)	Cost Sharing Adjustment	Provider Network Adjustment	Adjustment for Benefits in Addition to the EHBS	Catastrophic Plan Adjustment ⁽¹⁾	Administrative Costs ⁽²⁾	Plan Adjusted Index Rate ⁽³⁾	Calibration Factor ⁽⁴⁾	Consumer Adjusted Premium Rate ⁽⁵⁾
Anthem Catastrophic Pathway 8150	17575IN0950001	\$459.11	0.8575	1.0000	1.0000	0.7327	\$87.08	\$375.54	0.9791	\$383.56

Notes:

{1} This adjustment reflects the projected costs of the population eligible for catastrophic plans.

{2} This is an additive adjustment that includes all the selling expense, administration and retention items shown in Exhibit H, with the exception of the Exchange User Fee. The Exchange User Fee has been included in the Market-wide Adjusted Index Rate at the market level.

{3} The Plan Adjusted Index Rate is calculated by multiplying the Market-wide Adjusted Index Rate by the AV and cost sharing, provider network, benefits in addition to the EHBS, and catastrophic plan adjustments and then adding the administrative costs. The Plan Adjusted Index Rate can also be described as a Plan Level Required Premium.

{4} See Exhibit K - Calibration.

{5} The Consumer Adjusted Premium Rate is equal to 'Plan Adjusted Index Rate' divided by 'Calibration Factor'.

Exhibit K - Calibration

Anthem Insurance Companies, Inc. Individual

Rates Effective January 1, 2020

<i>Average rating factors for 2020 population:</i>	
	Calibration Factors
Tobacco	1.0134
Area	0.9662
Total Calibration Factor{1}	0.9791

NOTES:

{1} Total Calibration factor was used in Exhibit J.

{2} Age calibration includes adjustments for membership that exceeds the three child dependent cap, as permitted by CMS per 2020 Part 3 Instructions.

Exhibit L - Age and Tobacco Factors

**Anthem Insurance Companies, Inc.
Individual**

Rates Effective January 1, 2020

Age	Age Factors	Tobacco Factors
	2020	2020
0-14	0.765	1.000
15	0.833	1.000
16	0.859	1.000
17	0.885	1.000
18	0.913	1.050
19	0.941	1.050
20	0.970	1.050
21	1.000	1.050
22	1.000	1.050
23	1.000	1.050
24	1.000	1.050
25	1.004	1.100
26	1.024	1.100
27	1.048	1.100
28	1.087	1.100
29	1.119	1.100
30	1.135	1.150
31	1.159	1.150
32	1.183	1.150
33	1.198	1.150
34	1.214	1.150
35	1.222	1.150
36	1.230	1.150
37	1.238	1.150
38	1.246	1.150
39	1.262	1.150
40	1.278	1.150
41	1.302	1.150
42	1.325	1.150
43	1.357	1.150
44	1.397	1.150
45	1.444	1.150
46	1.500	1.150
47	1.563	1.150
48	1.635	1.150
49	1.706	1.150
50	1.786	1.150
51	1.865	1.150
52	1.952	1.150
53	2.040	1.150
54	2.135	1.150
55	2.230	1.150
56	2.333	1.150
57	2.437	1.150
58	2.548	1.150
59	2.603	1.150
60	2.714	1.150
61	2.810	1.150
62	2.873	1.150
63	2.952	1.150
64+	3.000	1.150

NOTES:

The weighted average of these factors for the entire risk pool included in this rate filing is provided in Exhibit K.

Exhibit M - Area Factors

Anthem Insurance Companies, Inc. Individual

Rates Effective January 1, 2020

Rating Area Description	2020 Area Rating Factor
Rating Area 5 - Northwest IN	0.9662

NOTES:

{1} The weighted average of these factors for the entire risk pool included in this rate filing is provided in Exhibit K.

Exhibit N - Sample Rate Calculation

Anthem Insurance Companies, Inc. Individual

Rates Effective January 1, 2020

Name: John Doe
Effective Date: 1/1/2020
On/Off Exchange: Off
Metal Level: Catastrophic
Plan ID: 17575IN0950001
Rating Area: 05

Family Members Covered:

	<u>Age</u>	<u>Smoker?</u>
Subscriber	47	N
Spouse	42	N
Child (age 21+)	25	Y
Child #1	20	N
Child #2	16	N

Calculation of Monthly Premium:

Consumer Adjusted Premium Rate	\$383.56 Exhibit J
<u>x Area Factor</u>	<u>0.9662</u> Exhibit M
Rate Adjusted for Area =	\$370.60

Age/Tobacco Factors:

Exhibit L

	<u>Age Factor</u>	<u>Tobacco Factor</u>
Subscriber	1.563	1.000
Spouse	1.325	1.000
Child (age 21+)	1.004	1.100
Child #1	0.970	1.000
Child #2	0.859	1.000

Final Monthly Premium PMPM:

	<u>PMPM</u>
Subscriber	\$579.25
Spouse	\$491.05
Child (age 21+)	\$409.29
Child #1	\$359.48
Child #2	\$318.35
TOTAL	\$2,157.42

NOTES:

As per the Market Reform Rule, when computing family premiums no more than the three oldest covered children under the age of 21 are taken into account whereas the premiums associated with each child age 21+ are included.

Minor rate variances may occur due to differences in rounding methodology.

Exhibit O - Terminated Products

Anthem Insurance Companies, Inc. Individual

Effective January 1, 2020

Following are the products that will be terminated prior to the effective date: <i>This includes products that have experience included in the URRT during the experience period and any products that were not in effect during the experience period but were made available thereafter.</i>	
Pre ACA Terminated Products	
HIOS Product ID	HIOS Product Name
N/A	N/A
Post ACA Terminated Products	
HIOS Product ID	HIOS Product Name
N/A	N/A

NOTES:

{1} This exhibit may include a greater number of HIOS Product IDs than the URRT, WS2, as this list additionally includes terminated Product IDs that were introduced after the experience period.

Exhibit P - Terminated Plans

Anthem Insurance Companies, Inc.
Individual

Effective January 1, 2020

Following are the plans that will be terminated prior to the effective date:

This includes plans that have experience included in the URRT during the experience period and any plans that were not in effect during the experience period but were made available thereafter.

Pre ACA Terminated Plans				
Plan ID	Plan Name	HIOS Product ID	HIOS Product Name	2020 Mapped HIOS Plan ID
N/A	N/A	N/A	N/A	N/A

Post ACA Terminated Plans				
Plan ID	Plan Name	HIOS Product ID	HIOS Product Name	2020 Mapped HIOS Plan ID
N/A	N/A	N/A	N/A	N/A

NOTES:

{1} This exhibit may include a greater number of HIOS Plan IDs than the URRT, WS2, as this list additionally includes terminated Plan IDs that were introduced after the experience period.