

Actuarial Memorandum and Certification

Effective January 1, 2024

The purpose of this actuarial memorandum and certification is to provide information related to Molina Healthcare of Kentucky, Inc.'s (Molina) Part I Unified Rate Review Template submission to the Kentucky Individual Marketplace (Kentucky Marketplace).

The actuarial memorandum and certification describe Molina's rating methodology used to develop rates for Individual products offered on the Kentucky Marketplace effective January 1, 2024. Molina will not market Individual products outside of the Kentucky Marketplace.

Molina Healthcare of Kentucky, Inc. is a managed care organization that provides healthcare services individuals eligible for Medicaid, Medicare, and Marketplace throughout the State of Kentucky. Molina Healthcare of Kentucky, Inc. is a licensed state health plan managed by its parent corporation, Molina Healthcare, Inc.

Molina Healthcare, Inc., a FORTUNE 500 company, provides managed health care services under the Medicaid and Medicare programs and through the state insurance marketplaces. Through our locally operated health plans in 18 states across the nation, Molina serves more than 5.2 million members. Dr. C. David Molina founded our company in 1980 as a provider organization serving low-income families in Southern Kentucky. Today, we continue his mission of providing high quality and cost-effective health care to those who need it most.

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MolinaHealthcare.com

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1. GENERAL INFORMATION

The information below documents the company identifying and contact information entered into the general information section of Worksheet 1 of the Unified Rate Review Template (URRT).

Company Identifying Information

Company Identifying Information	
Legal Name:	Molina Healthcare of Kentucky, Inc.
State:	Kentucky
HIOS Issuer ID:	73891
Market:	Kentucky Individual Marketplace
Effective Date:	January 1, 2024

Company Contact Information

Company Contact Information	
Contact Name	Charlie Kearns
E-mail	Charlie.kearns@molinahealthcare.com

2. PROPOSED RATES

Molina's filed 2024 rates will be effective January 1, 2024 and apply through December 31, 2024.

Proposed Rate Change(s)

Molina's 2024 rate filing reflects the following rate changes by metal tier. The 2024 rate changes vary by metal tier due to changes in the Actuarial Value (AV) Pricing Values assigned to each metal plan that are applied to the Plan Adjusted Index Rate.

Molina has 505 members in plans that are renewing enrolled effective March 2023 and reported as of April 2023. The rate change calculation below is consistent with Worksheet 2, Section II of the URRT, which only includes members on renewing plans.

14-Digit Plan ID	Plan Name	Metal	202303 Mbrs	2023 PMPM	2024 PMPM	Avg	Min	Max
73891KY0010001	Gold 1	Gold	2	\$488	\$516	5.7%	5.7%	5.7%
73891KY0010002	Silver 1	Silver	305	\$566	\$552	-2.5%	-2.5%	-2.5%
73891KY0020001	Gold 1 with Adult Vision Services	Gold	7	\$549	\$580	5.6%	5.6%	5.6%
73891KY0020002	Silver 1 with Adult Vision Services	Silver	80	\$496	\$483	-2.5%	-2.5%	-2.5%
73891KY0010009	Silver 12 with first 4 PCP visits free	Silver	111	\$542	\$532	-1.8%	-1.8%	-1.8%
Total			505	\$549	\$537	-2.2%	-2.5%	5.7%

Reason for Rate Change(s)

The following factors contribute toward the overall change in the proposed rates.

- **Claims:** Projected claims for 2024 are expected to contribute toward a -2.2% decrease in rates due to updated base period experience claims, trend, changes in product, acuity, and demographic mix, and the impact of normalizing for COVID-19 on the base period experience.
- **Taxes and Fees:** Taxes, fees, and retention are expected to contribute toward a -0.1% decrease in rates.
- **Margin:** Margins are expected to contribute toward a -0.0% decrease in rates at our company standard 3.0% after-tax profit margin.

- **Risk Transfer:** Risk transfer is expected to contribute toward a 0.3% increase in rates due to differences in actual versus expected risk transfer amounts for the 2022 benefit year and expected changes in 2024 population mix.
- **Administrative Expenses:** Administrative expenses are expected to contribute toward a -0.4% decrease in rates due to higher plan, corporate and QA expenses, offset by lower expected broker commissions.
- **Membership Mix:** The membership mix from Texas in 2022 to Kentucky in 2024 compared to the membership mix for comparable time periods from the prior year rate filing is expected to contribute toward a 0.3% increase in rates.

Rate changes vary by metal tier due to changes in Actuarial Value, Cost Share Design (CSD), and Geographic factors.

3. EXPERIENCE PERIOD PREMIUM AND CLAIMS

Per 45 CFR part 156, §156.80, Molina's rate development is through Single Risk Pool methodology and manual rate development.

The rate development is based on manual rate development, which is further described in Item 6: Credibility Manual Rate Adjustment.

Benefit Categories

Molina assigned all experience claims to benefit categories utilizing Milliman's MedInsight Health Cost Guidelines (HCG) grouper. The following table displays the measurement units related to each benefit category.

Benefit Category	Util Type
Inpatient Hospital	Days
Outpatient Hospital	Visits
Professional	Services
Other Medical	Services
Capitation	Benefit Period
Prescription Drug	Prescriptions

4. ADJUSTMENTS TO ALLOWED CLAIMS DURING THE EXPERIENCE PERIOD

Not Applicable. The rate development is based on manual rate development, which is further described in Item 6: Credibility Manual Rate Adjustment.

5. PROJECTION FACTORS

Not Applicable. The rate development is based on manual rate development, which is further described in Item 6: Credibility Manual Rate Adjustment.

6. CREDIBILITY MANUAL RATE ADJUSTMENT

Methodology Used to Develop the Credibility Manual Rate

The manual rate was developed using 2022 Individual Marketplace experience data from Molina Healthcare of Texas.

Source and Appropriateness of the Experience Used to Develop the Credibility Manual Rate

The source of data is appropriate because it is Molina's marketplace experience data in a state with similar management, network contracting, and population.

Molina Healthcare of Texas had 1,182,707 member months or 98,559 average members in 2022 and provides credible experience to serve as the basis for the Kentucky rate development.

The manual EHB allowed claims PMPM reported in Worksheet 1, Section II of the URRT represents the adjusted manual rate for the 2024 plan year.

Manual Allowed and Incurred Claims in Experience Period: The following table reports the allowed and incurred claims during the experience period of January 1, 2022 to December 31, 2022.

Description	Medical	Pharmacy	Capitation	Total
Allowed	\$476,838,821	\$118,029,345	\$220,893	\$595,089,060
IBNR Factor	0.997	1.000	1.000	0.998
Allowed w/ IBNR	\$475,630,000	\$118,029,345	\$220,893	\$593,880,239
Paid	\$445,576,431	\$103,790,945	\$220,893	\$549,588,269
IBNR Factor	1.014	1.000	1.000	1.011
Paid w/ IBNR	\$451,761,476	\$103,790,945	\$220,893	\$555,773,314
Member Cost Sharing	-\$23,868,525	-\$14,238,401	\$0	-\$38,106,925
Cost Share Reduction	\$0	\$0	\$0	\$0
Incurred Claims	\$451,761,476	\$103,790,945	\$220,893	\$555,773,314

Allowed claims for the experience period were calculated by adding the plan incurred paid claims and the member cost-sharing for medical and pharmacy claims. The allowed claims calculation applies to both fee-for-service claims and capitation costs.

Completion factors were applied to both the allowed and incurred medical claim amounts. The completion factors were developed separately for inpatient and non-inpatient medical claims based on Molina's Texas Marketplace data. The IBNR factor applied to the allowed and incurred claims is 1.011. IBNR factors were not applied to capitation and pharmacy claims.

All medical claims are paid through the claims system. Pharmacy claims are processed through a pharmacy benefit manager.

Adjustments Made to Data Used to Develop the Credibility Manual Rate

Morbidity Adjustment: The population morbidity adjustment is comprised of an acuity factor that represents anticipated differences in acuity between Molina Healthcare of Texas Individual Marketplace members in 2022 and Molina Healthcare of Kentucky members in 2024.

Acuity Adjustment: The acuity of Molina's covered population in Kentucky is expected to be lower than the Texas experience used in the manual rate development. A factor of 0.974 was applied to reflect the difference in statewide average Plan Liability Risk Score (PLRS) values between Texas and Kentucky. The 0.974 factor was generated by comparing the average difference in PLRS values from 2022 and 2024. Please refer to Appendix Exhibit 1.

Demographic shift: A demographic adjustment factor was applied to the experience period claims to reflect the anticipated change in the demographic mix from the Texas 2022 experience data to the Kentucky 2024 projection period.

The anticipated demographic mix is based on a review of enrollment through April 2023 and projected 2024 enrollment compared to the experience period. Molina anticipates that its 2024 demographics will be consistent with its 2023 demographics. The demographic adjustments were developed using allowed claims by age cohort normalized for differences in metal and acuity. Demographic adjustments were not made to capitation costs. The total demographic adjustment made to the Texas 2022 experience period data is 0.973. Please refer to Appendix Exhibit 2.

Geographic Adjustment: A geographic adjustment factor was applied to the experience period claims to reflect the anticipated change in the area membership mix from the 2022 experience data to the 2024 projection period. A geographic adjustment of 1.000 was made to the fee-for-service portion of the 2022 experience period data.

Plan Mix Adjustment: A plan mix adjustment factor was applied to the manual rate to reflect changes in allowed claims due to differences in membership mix by metal. The plan mix adjustment made to the 2022 experience period data is 1.031. Please refer to Appendix Exhibit 3.

COVID Adjustment: A COVID adjustment factor of 0.991 was applied to the claim development. A detailed description of the development of the COVID adjustment begins in the section titled COVID-19 impact on 2024 rates.

Internal Reinsurance Adjustment: No adjustment for an internal reinsurance program was applied.

EHB Claims: No adjustment for essential health benefits (EHBs) were applied.

Unit Cost Adjustment: The 0.917 adjustment factor represents the projected differences in unit costs between Molina's provider network in Texas and Kentucky.

Trend Factors: Trend factors were applied separately for unit cost and utilization and by each major benefit category shown in Worksheet 1, Section II of the URRT. The Year 1 and Year 2 trend factors represent the annual trend numbers that were used to trend the experience period claims forward 24 months from the midpoint of the base period, July 2022, to the midpoint of the projection period, July 2024.

Utilization and unit cost trends were developed through a review of the allowed claims experience from Molina's Texas Marketplace population and Molina's enterprise-wide Marketplace population. The utilization data was normalized using concurrent risk scores from Milliman's MARA (Milliman Advanced Risk Adjusters) risk model for each service category to account for differences in demographics and health status between the two comparison periods. In addition, we used actuarial judgment in choosing the projected utilization trends. Unit cost trends include the anticipated increases to Medicare fee schedule from 2022 experience period to 2024 projection period.

The chart below shows each annual trend by category of service.

Category	Utilization	Unit Cost	Total
HIP	3.0%	2.0%	5.1%
HOP	4.0%	2.0%	6.1%
Phy	4.0%	1.7%	5.8%
Oth	4.0%	1.2%	5.3%
Rx	6.0%	5.8%	12.1%
Cap	0.0%	4.5%	4.5%
Total	4.1%	2.7%	6.9%

Claims Adjustment Summary: The following table summarizes the adjustments made to the manual rate data.

Please refer to Appendix Exhibits 4c - 4d for a summary of the adjustment factors described above that were applied to the claims development.

Inclusion of Capitation Payments in Developing the Credibility Manual Rate

All capitated payments are included in the manual rate development.

7. CREDIBILITY

Credibility Methodology

A Monte Carlo simulation was used to determine the credibility level to assign to the base period experience. The simulation used a claims probability distribution (CPD) from the 2024 Actuarial Value calculator to generate random samples of members and calculated the average annual cost for each sample.

The results showed that 60,000 member months are needed so that the average annual cost is within 10% of the mean (expected claims amount) 95% of the time.

The credibility percentage to apply to the experience data is based on experience period member months and the credibility formula below:

- 0 - 59,999 member months: 100% manual
- 60,000+ member months: 100% experience

The 2022 experience in Part I of the Unified Rate Review Template (URRT) is based on 19,841 member months resulting in a credibility percentage that is 100% manual rated. This method is consistent with the applicable American Academy of Actuaries' Actuarial Standards of Practice (ASOP) No. 25 Credibility Procedures.

8. COVERED SERVICES

Covered Services – Essential Health Benefits (EHBs)

Essential Health Benefits are covered for all plans offered.

Covered Services – State Mandated Benefits Which Are Not Essential Health Benefits

Not applicable.

Covered Services – Eliminated Benefits

Not applicable.

Covered Services – Additional Mandated Supplementary Benefits

Not applicable.

Covered Services – Changes in the Level of Covered Services

Not applicable.

Covered Services – EHB Substitutions

Not applicable.

9. CREDIBILITY ADJUSTED PROJECTED CLAIMS

The projected EHB allowed claims in Worksheet 1, Section II of the URR is \$631.07, which is consistent with the Projected Allowed Claims PMPM in the exhibit below.

Description	Value
Base Experience Period Index Rate	\$619.45
Utilization Trend (Annual)	1.041
Unit Cost Trend (Annual)	1.027
Trended Index Rate	\$708.47
Plan Mix Adjustment	1.031
Utilization Adjustment	1.003
Unit Cost Adjustment	0.917
Acuity Adjustment	0.974
Demographic Adjustment	0.973
Geographic Adjustment	1.000
COVID-19 Adjustment	0.991
Index Rate	\$631.07

10. PROJECTED INDEX RATE

The index rate is developed following the specifications of 45 CFR part 156.80(d)(1). The index rate for the projection period is estimated to be \$631.07. The index rate represents the estimated total allowed claims experience for the essential health benefits within the Kentucky Marketplace. The index rate does not include adjustments for the risk adjustment program.

11. RISK TRANSFER PAYMENTS

Projected Risk Adjustments PMPM: Molina estimated the risk transfer amount for 2024 using the 2022 experience period risk transfer amounts for members who have maintained coverage into 2023. The 2024 risk transfer estimates were developed by projecting 2023 relative risk scores and transfer payments, then projecting 2024 relative risk scores and transfer payments. The risk transfer payment amounts in the projection period reflect expected changes in the relative risk of the population and changes to the statewide premium. The projection is based on the 2024 calibrated model. The population was grouped into the following cohorts:

- *2023 Renewal Members* – Some of Molina’s current members previously had coverage in 2022 and renewed in 2023 with Molina. Molina relied on the renewal member’s 2022 experience and risk scores to project their 2023 relative risk scores, taking into consideration any applicable changes in enrollment across metal tiers.
- *2023 New Members* – To estimate the relative risk of the 2023 new members, Molina referred to the estimated risk scores and transfer amounts from the 2022 experience period. Estimated risk scores were adjusted in consideration of the metal tier mix between the 2022 members and the 2023 new members.
- *2024 Members* – Molina assumed the 2024 members would have the lower relative risk scores as the 2023 members, with consideration for the metal tier mix between the two years.

The impact of the national high-risk pool fund was incorporated using 2022 claims experience and a white paper report from Wakely on the estimated high-cost risk pooling charges based on information voluntarily provided by issuers. The net impact of estimated charges and recoveries was calculated as \$2.44 PMPM.

The resulting 2024 risk transfer receivable estimate is \$31.01 PMPM. Molina included \$2.44 PMPM for projected national high-risk pooling funding to get a net risk transfer receivable estimate of \$28.56 PMPM. This amount was converted from a paid to allowed basis and entered in the URRT Worksheet I, Section II.

The risk transfer receivable amounts in the projection period reflect expected changes in the relative risk of the population and changes to the statewide premium. The 14% administrative cost reduction is factored into the transfer estimates. For the summary of the 2024 risk transfer estimate development please refer to Appendix Exhibit 5.

12. DEVELOPMENT OF MARKET ADJUSTED INDEX RATE

Exchange User Fee:

Kentucky Marketplace (Kynect) is a State-based exchange, which is fully funded by KY GAP assessment fund and no exchange fee is included in the rate development.

Reinsurance: Not applicable.

Market Adjusted Index Rate: The market adjusted index rate is developed following the specifications of 45 CFR part 156.80(d)(1). Molina modified the index rate provided in URRT Worksheet I to a market adjusted index rate as seen in Appendix Exhibit 8. The Market Adjusted Index Rate in Worksheet 1, Section II of the URRT is \$593.18.

13. PLAN LEVEL ADJUSTED INDEX RATE

The plan adjusted index rates are developed following the specifications of 45 CFR part 156.80(d)(2). The plan adjusted index rates are entered in Worksheet 2, Section IV, of the URRT. Molina calculated the plan adjusted index rates by applying plan specific level adjustments for actuarial value, cost sharing utilization, additional benefits, and administrative costs, to the market adjusted index rate. Please refer to Appendix Exhibit 9.

14. ACTUARIAL VALUES

AV Metal Values

All benefit plans Molina proposes to offer meet ACA essential health benefit (EHB) requirements. The actuarial value (AV) for each product was based on output from the CMS 2024 AV Calculator. The CMS 2024 AV Calculator was used to determine metal tier, but for pricing a different calculator was used. This is detailed in the following section.

16-Digit Plan ID	CSR Tier	CMS AV
73891KY001000101	Gold	78.4%
73891KY001000206	Silver 100	94.4%
73891KY001000205	Silver 150	87.3%
73891KY001000204	Silver 200	73.1%
73891KY001000201	Silver 250	70.0%
73891KY002000101	Gold	78.4%
73891KY002000206	Silver 100	94.4%
73891KY002000205	Silver 150	87.3%
73891KY002000204	Silver 200	73.1%
73891KY002000201	Silver 250	70.0%
73891KY001000906	Silver 100	94.2%
73891KY001000905	Silver 150	87.2%
73891KY001000904	Silver 200	73.3%
73891KY001000901	Silver 250	70.2%

AV Pricing Values

AV pricing value of each plan only includes the allowable modifiers to the index rate, as described in 45 CFR Part 156, §156.80(d)(2).

Molina relied on a commercially available AV pricing tool to evaluate the Actuarial Value of the plan designs. This tool complies with the ACA rating rules by using a consistent population to model the AVs for each plan.

Pricing AV and Cost Sharing Design: Please refer to Appendix Exhibit 6 for Molina's AVs and Cost Sharing Design (CSD) Adjustment factors.

15. NON-BENEFIT EXPENSES INCLUDING RISK AND PROFIT MARGIN

Projected Non-Benefit Expenses, Risk and Profit

Administrative Expense Load: Administrative expenses for the Marketplace product from 2022 and 2023 were reviewed and projected forward to 2024 to develop the administrative costs required to manage the Kentucky Marketplace population. An internal administrative cost budget was developed on a PMPM basis and applied to the Kentucky Marketplace rates. Part of the total administrative expense load is a subcomponent for Quality Expenses which are administrative costs dedicated to improving health care quality for Molina Marketplace members. Please refer to Appendix Exhibit 11a for details.

Broker Commissions: Broker commissions of \$9.10 PMPM are expected based on historical broker-sold business and a projection of new and renewing members sold through the broker channel. \$0.52 PMPM was added for bonuses based on expected mix of business sold through the broker channel. Please refer to Appendix Exhibit 11b.

Profit & Risk Margin: The target after-tax margin is 3.0%, which aligns with Molina's company standard target. Molina's current capital and surplus did not impact the filing.

Taxes and Fees: Molina's estimated taxes and fees are 1.9%. The taxes and fees estimates are comprised of the following:

- **Federal Income Tax:** An estimated 0.9% of premiums will be paid in Federal income taxes based on an anticipated effective tax rate of 25.7%.
- **Risk Adjustment User Fee:** \$0.21 PMPM will be paid toward the risk adjustment user fee.
- **Premium Tax and Other Fees:** An estimated \$0.27 will be paid toward the PCORI fee. \$5.53 PMPM will be paid towards the premium tax.

Please refer to Appendix Exhibits 11c and 11d for details on taxes and fees.

16. CALIBRATION

Age Curve Calibration: Molina calibrated the Plan Adjusted Index Rates to an age 21 rate. The average composite age factor was estimated by multiplying the population distribution by the age factors. The calibration factor is 0.616. An additional adjustment was implemented in the age calibration process to account for the dependent cap where only the 3 eldest children's premiums contribute to the family premium. Please refer to Appendix Exhibit 12.

Molina estimated the average age of the single risk pool to be 41 years of age by multiplying the expected age distribution percentages by the age. Molina assumed an average age of 7 for the Age 0-14 cohort in the average age estimate and an average age of 71 for the Age 64+ cohort. Premium rates are based on the attained age as of the coverage effective date and will not be re-rated/adjusted when a birthdate occurs during the year after the coverage starts.

Geographic Factor Calibration: Molina applied geographic factors to the index rate in the calculation of region-specific rates. The geographic factors are based on the provider reimbursement expectations in each region for 2024. The calibration factor of 1.037 equals the weighted average geographic factor. Please refer to Appendix Exhibits 13a and 13b.

Tobacco Factors

Molina does not price in a tobacco surcharge. The calibration factor is set to 1.000.

Consumer Adjusted Premium Rate Development

The Consumer Adjusted Premium Rates are calibrated to an age 21 premium with an area factor of 1.000. Only the allowable rating factors will be applied to the Consumer Adjusted Premium Rates. Please refer to Appendix Exhibit 14.

17. DEVELOPMENT OF ALL PRODUCT BASE RATES

Provider Network, Delivery System Characteristics, and Utilization Management Practices: Plan rates do not vary for variation in provider network, delivery system characteristics, or utilization management.

Benefits in Addition to EHBs: Molina provides an Adult Vision benefit as an optional benefit for the Molina Healthcare + Vision product (Plan IDs beginning with 73891KY002) which is priced at a cost of \$4.85 PMPM. Worksheet 2, Section III of the URRT shows the Adult Vision Optional Benefit in the “Benefits in addition to EHB”. For the non-EHB factor please refer to Appendix Exhibit 7.

18. RISK CORRIDOR PAYMENTS OR RECOVERIES

Not applicable.

19. FEDERAL MEDICAL LOSS RATIO REQUIREMENTS

Projected Federal MLR

The projected medical loss ratio (MLR) using the federally prescribed MLR methodology is for calendar year 2024 based on the ratio of projected incurred claims divided by projected revenue. The MLR result was calculated to be 89.9%. Please refer to Appendix Exhibit 15 for calculation details.

Note: there is not a minimum loss ratio that Molina adheres to other than the federally defined MLR of 80%.

Explanation when the future loss ratio is not consistent with the federal rebate MLR

Not applicable.

20. RELIANCE

Internal support for the following were relied upon for the following material factors:

- Unit Costs and Provider Reimbursement
- Pharmacy Costs
- Administrative Costs
- Base Manual Data

External support was relied upon for pricing AV values. The above have been reviewed for reasonableness, but have not been audited.

21. MISCELLANEOUS INSTRUCTIONS

Membership Projections

Molina is filing Kentucky Marketplace rates in 25 counties representing 3 rating regions. The membership projection is based on anticipated renewals of existing members and new members. New membership is based on an estimate of the total number of members enrolled in Kentucky Marketplace by county and metal.

The enrollment projections by plan, including cost-sharing reduction eligible plans, are based on projected market share by anticipated competitive rate position among other factors.

Molina plans to offer its products in the counties listed by region below.

Region	County List
3	Bullitt, Jefferson, Oldham, Carroll, Grayson, Henry, Larue, Meade, Nelson, Shelby, Spencer, Trimble, Washington
5	Anderson, Boyle, Clark, Fayette, Franklin, Garrard, Jessamine, Mercer, Owen, Scott, Woodford
6	Gallatin

22. PLAN TYPE

All benefit plans are comprehensive HMO individual products.

Terminated Products

A summary of Molina's terminated, renewing, and new products is provided in the following table:

2024 Plan Portfolio

Plan ID	Plan Name	Metal	2024 Status
73891KY0010001	Gold 1	Gold	Renewing
73891KY0010002	Silver 1	Silver	Renewing
73891KY0020001	Gold 1 with Adult Vision Services	Gold	Renewing
73891KY0020002	Silver 1 with Adult Vision Services	Silver	Renewing
73891KY0010009	Silver 12 with first 4 PCP visits free	Silver	Renewing

COVID-19 Impact on 2024 Rates

Background

Costs related to COVID-19 decreased significantly in 2022 compared to 2021, and have reached a relatively consistent month-to-month level since March 2022. We expect 2023 and 2024 COVID-related costs will continue at this lower level and possibly trend slightly downward as population immunity continues to grow. However, COVID-related costs from January and February 2022 were generally elevated at the end of the original Omicron wave, and we expect there will be changes in utilization and cost trends associated with the end of the Public Health Emergency (PHE) related to the COVID pandemic. With this mind, we assessed whether our 2022 claims experience required an adjustment to COVID-related costs.

Adjustment Methodology

To assess the impact of COVID-related costs we tracked the 2022 claims experience for COVID-related hospitalizations, COVID-related outpatient visits, COVID-related pharmaceuticals, and COVID-related testing costs separately from all other claims experience. Similar to last year, aggregating our Marketplace experience across all Marketplace states provided more credible predictive ability than assessing each state individually.

We observed COVID-related costs as a percentage of total claims decreased from 9.0% in January 2022 to 3.1% in February 2022 to 1.2% in March 2022. From March 2022 onwards, COVID-related costs were consistently within a 1.0% - 2.0% range and averaged 1.5% on a month-to-month basis. This level of COVID-related costs has also continued into early 2023, so we have decided to cap 2022 COVID-related costs at the 1.5% of total 2022 claims. Thus, if a state's COVID-related claims were higher than 1.5% of its 2022 claims experience, we will adjust the 2022 claims experience proportionately to set COVID-related claims costs as 1.5% of total 2022 claims.

We expect there to be two key changes to COVID-related costs with the end of the PHE:

- 1) The expiration of COVID testing coverage requirements is expected to reduce our COVID testing costs, primarily with respects to the out-of-network testing we were mandated to cover previously, and
- 2) The end of government subsidization of COVID vaccine costs means manufacturers will increase the cost of COVID vaccines from approximately \$30 per dose to approximately \$130 per dose.

Our best estimates of the impacts for both changes are within the same range of \$1 - \$2 PMPM. Given there is still uncertainty as to the scale of both changes, we have assumed they will offset entirely and will not change our COVID-related cost baseline expectation.

2024 Rate Impact

COVID-related claims represented 2.3% of 2022 claim experience for Texas. Given the cap on COVID-related claims to 1.5% of total claims, we applied a 0.991 adjustment factor to the 2022 allowed claims overall to adjust for our expected COVID-related cost baseline.

Actuarial Certification

I, Charlie Kearns, as a member in good standing with the American Academy of Actuaries, hereby certify, to the best of my knowledge and judgment, the following:

The projected index rate is:

- a. In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80 and 147.102)
- b. Developed in compliance with the applicable Actuarial Standards of Practice
- c. Reasonable in relation to the benefits provided and the population anticipated to be covered
- d. Neither excessive nor deficient

The index rate and only the 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.

The percent of total premium that represents essential health benefits included in Worksheet 2, Section III was calculated in accordance with actuarial standards of practice.

The geographic rating factors reflect only differences in the costs of delivery and do not include differences for population morbidity by geographic area.

The 2024 AV Calculator was used to determine the AV Metal Values shown in Worksheet 2 of the Part I Unified Rate Review Template.



Charlie Kearns, FSA, MAAA
AVP, Actuarial Services
Molina Healthcare

June 23, 2023

Date

Exhibit 1

Acuity Adjustment

Metal Tier	Base Year		Pricing Year	
	Mbr Mix %	Risk score	Mbr Mix %	Risk score
Gold	2%	2.796	6.3%	1.849
Silver 100	56%	2.210	37.5%	2.439
Silver 150	20%	1.893	28.2%	1.872
Silver 200	11%	1.532	14.1%	1.361
Silver 250	11%	1.853	13.9%	1.498
Total (Pricing Yr Weight)		2.012		1.960
Acuity Adjustment:				0.974

Final Factor Development		Weighted By...	
Methodology	Base Yr	Pricing Yr	Factor
Final Acuity Adjustment	2.012	1.960	0.974

Exhibit 2

Demographic Adjustment

Age Mix				Age Mix				Age Mix			
Age	Base Yr %	Pricing Yr %	Age Factor	Age	Base Yr %	Pricing Yr %	Age Factor	Age	Base Yr %	Pricing Yr %	Age Factor
0 - 14*	0.2%	0.4%	0.000	31	2.6%	2.6%	1.159	49	2.1%	1.8%	1.706
0-14	6.9%	5.3%	0.765	32	2.2%	2.4%	1.183	50	0.7%	2.2%	1.786
15	0.4%	0.6%	0.833	33	2.0%	2.5%	1.198	51	1.1%	0.8%	1.865
16	0.4%	0.8%	0.859	34	2.1%	3.5%	1.214	52	2.0%	1.0%	1.952
17	0.4%	0.4%	0.885	35	3.2%	3.3%	1.222	53	1.2%	2.4%	2.040
18	0.0%	0.4%	0.913	36	2.2%	2.6%	1.230	54	2.7%	1.4%	2.135
19	0.9%	0.2%	0.941	37	2.2%	1.6%	1.238	55	1.5%	2.4%	2.230
20	0.9%	1.6%	0.970	38	2.8%	2.9%	1.246	56	2.1%	1.4%	2.333
21	1.0%	2.4%	1.000	39	2.0%	2.8%	1.262	57	2.4%	2.2%	2.437
22	0.3%	0.6%	1.000	40	2.1%	2.0%	1.278	58	1.2%	1.8%	2.548
23	0.8%	0.6%	1.000	41	2.7%	1.0%	1.302	59	2.2%	1.0%	2.603
24	0.8%	0.4%	1.000	42	2.0%	2.2%	1.325	60	2.1%	1.6%	2.714
25	1.5%	1.0%	1.004	43	1.6%	2.6%	1.357	61	3.0%	1.6%	2.810
26	2.5%	2.2%	1.024	44	1.2%	0.8%	1.397	62	2.5%	2.2%	2.873
27	2.8%	2.7%	1.048	45	1.4%	1.4%	1.444	63	4.0%	2.9%	2.952
28	1.8%	2.3%	1.087	46	1.9%	1.7%	1.500	64	2.1%	3.3%	3.000
29	3.1%	1.8%	1.119	47	1.4%	2.0%	1.563	65+	4.5%	4.3%	3.000
30	1.4%	2.6%	1.135	48	0.4%	2.4%	1.635				

Average Age Factor (Base Yr Weight): 1.669
 Average Age Factor (Pricing Yr Weight): 1.624
 Demographic Adjustment: 0.973

Exhibit 3

Plan Mix Adjustment

CSR Tier	Member Mix		Base Yr Alwd
	Base Yr	Pricing Yr	
Gold	2%	6%	\$1,259
Silver 100	56%	38%	\$657
Silver 150	20%	28%	\$541
Silver 200	11%	14%	\$505
Silver 250	11%	14%	\$611

Total (Base Yr Weight): \$624
 Total (Pricing Yr Weight): \$634
 Plan Mix Adjustment: **1.017**

CSR Tier	Member Mix		Base Yr Alwd
	Base Yr	Pricing Yr	
Gold	2%	6%	\$1,259
Silver	98%	94%	\$611

Total (Base Yr Weight): \$624
 Total (Pricing Yr Weight): \$652
 Plan Mix Adjustment: **1.045**

Factor Method	Weight	Factor
Metal Mix - Silver Expanded	50%	1.017
Metal Mix - Silver Collapsed	50%	1.045
Final Plan Mix Factor		1.031

Exhibit 4a
Experience Period Allowed Claims

Description	HIP	HOP	Phy	Oth	Rx	Cap	Total
2022 Allowed Claims	\$159.83	\$153.00	\$167.91	\$15.44	\$123.03	\$0.24	\$619.45

Exhibit 4b
Trends

Trends	HIP	HOP	Phy	Oth	Rx	Cap	Total
Utilization Trend	3%	4%	4%	4%	6%	0%	4%
Unit Cost Trend	2%	2%	2%	1%	6%	4%	3%

Exhibit 4c
Unit Cost & Util Adjustments

Description	HIP	HOP	Phy	Oth	Rx	Cap	Total
Utilization Adjustment	1.000	1.000	1.000	1.000	1.015	1.000	1.003
Unit Cost Adjustment	0.752	0.862	1.045	1.000	1.000	1.000	0.917

Exhibit 4d

Claim Projection Factor Summary

Index Rate Adjustment	Factors
Morbidity Adjustment	0.974
Acuity Adjustment	0.974
Demographic Shift	0.973
Demographic Adjustment	0.973
Geographic Adjustment	1.000
Plan Design Changes	1.034
Plan Mix Adjustment	1.031
Utilization Adjustment	1.003
Other Adjustments	0.909
Unit Cost Adjustment	0.917
COVID-19 Adjustment	0.991

Claim Projection Factors by Category

Description	HIP	HOP	Phy	Oth	Rx	Cap	Total
Plan Mix Adjustment	1.031	1.031	1.031	1.031	1.031	1.031	1.031
Utilization Trend	1.061	1.082	1.082	1.082	1.124	1.000	1.085
Unit Cost Trend	1.040	1.040	1.034	1.025	1.119	1.092	1.055
Acuity Adjustment	0.974	0.974	0.974	0.974	0.974	1.000	0.974
Demographic Adjustment	0.973	0.973	0.973	0.973	0.973	1.000	0.973
COVID-19 Adjustment	0.990	0.992	0.987	0.970	0.999	1.000	0.991

Exhibit 5

Risk Transfer Estimate

Term	Description	Molina	Statewide
PLRS	Plan Liability Risk Score	1.843	1.918
IDF	Induced Demand Factor	1.033	1.041
GCF	Geographic Cost Factor	1.053	1.000
	PLRS x IDF x GCF	2.005	1.996
	Molina Relativity	1.005	
AV	Actuarial Value	0.706	0.659
ARF	Allowable Rating Factor	1.506	1.776
IDF	Induced Demand Factor	1.033	1.041
GCF	Geographic Cost Factor	1.053	1.000
	AV x ARF x IDF x GCF	1.157	1.218
	Molina Relativity	0.950	
SWAP	Statewide Average Premium		\$656.53
Adj SWAP	Statewide Average Premium Adjusted		\$564.62
	Molina Risk Transfer Estimate	\$31.01	
	National High-Risk Pool Fund (Net)	-\$2.44	
	Total Risk Transfer	\$28.56	

Exhibit 6

AV & Cost Sharing

Plan ID	Metal	Pricing Yr Mix %	AV	CSD
Dollar-Weighted Total		100.0%	0.754	1.000
73891KY0010001	Gold	3.1%	0.776	1.347
73891KY0010002	Silver	42.2%	0.762	0.976
73891KY0020001	Gold	3.1%	0.776	1.347
73891KY0020002	Silver	9.4%	0.762	0.976
73891KY0010009	Silver	42.2%	0.741	0.976

Exhibit 7

Benefits in Addition to EHB

Plan ID	Metal	Non-EHB Factor
73891KY0010001	Gold	1.000
73891KY0010002	Silver	1.000
73891KY0020001	Gold	1.008
73891KY0020002	Silver	1.011
73891KY0010009	Silver	1.000

Exhibit 8

Market Adjusted Index Rate (MAIR)

Description	Paid Basis	Adjustment	Allowed Basis
Index Rate (EHB Allowed)			\$631.07
Risk Adjustment	-\$28.56	0.754	-\$37.89
ACA Reinsurance	\$0.00	0.754	\$0.00
Exchange Fees	\$0.00	0.754	\$0.00
Market Adjusted Index Rate			\$593.18

Exhibit 9

Plan Adjusted Index Rate (PAIR)

14-Digit Plan ID	Metal	MAIR	AV	CSD	Network	Non-EHB	Cat Adj	Admin*	PAIR
73891KY0010001	Gold	\$593.18	0.776	1.347	1.000	1.000	1.000	15.6%	\$734.94
73891KY0010002	Silver	\$593.18	0.762	0.976	1.000	1.000	1.000	19.3%	\$546.20
73891KY0020001	Gold	\$593.18	0.776	1.347	1.000	1.008	1.000	15.5%	\$740.04
73891KY0020002	Silver	\$593.18	0.762	0.976	1.000	1.011	1.000	19.1%	\$551.20
73891KY0010009	Silver	\$593.18	0.741	0.976	1.000	1.000	1.000	19.6%	\$533.48
Total		\$593.18	0.754	0.999	1.000	1.001	1.000	19.2%	\$553.32

*Admin % reconciles to Exhibit 11a - cannot link due to circular reference

Exhibit 10

Admin Expense Load

Description	PMPM	% Prem
Plan Controllable Admin	\$21.96	4.0%
Corporate Fee	\$34.57	6.2%
QA Expenses	\$12.63	2.3%
Broker Commissions	\$9.10	1.6%
Total	\$78.26	14.1%

Exhibit 11a

Administrative Cost Load (Excluding Exchange Fee)

% Premium Basis

Plan ID	Metal	Plan Admin & Corporate Fees	QA Expenses	Broker Commissions	Taxes & Fees	Profit & Risk	Total Admin
73891KY0010001	Gold	7.7%	1.7%	1.2%	1.9%	3.0%	15.6%
73891KY0010002	Silver	10.3%	2.3%	1.7%	1.9%	3.0%	19.3%
73891KY0020001	Gold	7.6%	1.7%	1.2%	1.9%	3.0%	15.5%
73891KY0020002	Silver	10.3%	2.3%	1.7%	1.9%	3.0%	19.1%
73891KY0010009	Silver	10.6%	2.4%	1.7%	1.9%	3.0%	19.6%
Total		10.2%	2.3%	1.6%	1.9%	3.0%	19.1%

PMPM Basis

Plan ID	Metal	Plan Admin & Corporate Fees	QA Expenses	Broker Commissions	Taxes & Fees	Profit & Risk	Total Admin
73891KY0010001	Gold	\$56.53	\$12.63	\$9.10	\$14.15	\$22.05	\$114.46
73891KY0010002	Silver	\$56.53	\$12.63	\$9.10	\$10.64	\$16.39	\$105.29
73891KY0020001	Gold	\$56.53	\$12.63	\$9.10	\$14.24	\$22.20	\$114.71
73891KY0020002	Silver	\$56.53	\$12.63	\$9.10	\$10.73	\$16.54	\$105.53
73891KY0010009	Silver	\$56.53	\$12.63	\$9.10	\$10.40	\$16.00	\$104.67
Total		\$56.53	\$12.63	\$9.10	\$10.77	\$16.60	\$105.63

Exhibit 11b

Broker Commissions

Population	% Broker Sold	Commission
New OEP Members	12%	\$3.12
New SEP Members	2%	\$0.43
Renewal OEP Members	18%	\$4.44
Renewal SEP Members	2%	\$0.60
Total	34%	\$8.59

Bonus: \$0.52
Total Commissions + Bonus: **\$9.10**

Exhibit 11c

Taxes & Fees Total

Taxes and Fees	PMPM	% Prem
Exchange User Fee	\$0.00	0.0%
PCORI	\$0.27	0.0%
Risk Adjustment User Fee	\$0.21	0.0%
State Fee	\$0.00	0.0%
Federal Income Tax	\$4.75	0.9%
Health Insurer Fee	\$0.00	0.0%
Premium Tax	\$5.53	1.0%
Total Taxes & Fees	\$10.77	1.9%

Exhibit 11d

Taxes & Fees by 14-Digit Plan ID

% Premium Basis

Plan ID	Metal	Exchange Fee	PCORI	RA User Fee	State Fee	Income Tax	HIF	Prem Tax	Total
73891KY0010001	Gold	0.0%	0.0%	0.0%	0.0%	0.9%	0.0%	1.0%	1.9%
73891KY0010002	Silver	0.0%	0.1%	0.0%	0.0%	0.9%	0.0%	1.0%	1.9%
73891KY0020001	Gold	0.0%	0.0%	0.0%	0.0%	0.9%	0.0%	1.0%	1.9%
73891KY0020002	Silver	0.0%	0.0%	0.0%	0.0%	0.9%	0.0%	1.0%	1.9%
73891KY0010009	Silver	0.0%	0.1%	0.0%	0.0%	0.9%	0.0%	1.0%	1.9%

PMPM Basis

Plan ID	Metal	Exchange Fee	PCORI	RA User Fee	State Fee	Income Tax	HIF	Prem Tax	Total
73891KY0010001	Gold	\$0.00	\$0.27	\$0.21	\$0.00	\$6.31	\$0.00	\$7.35	\$14.15
73891KY0010002	Silver	\$0.00	\$0.27	\$0.21	\$0.00	\$4.69	\$0.00	\$5.46	\$10.64
73891KY0020001	Gold	\$0.00	\$0.27	\$0.21	\$0.00	\$6.36	\$0.00	\$7.40	\$14.24
73891KY0020002	Silver	\$0.00	\$0.27	\$0.21	\$0.00	\$4.74	\$0.00	\$5.51	\$10.73
73891KY0010009	Silver	\$0.00	\$0.27	\$0.21	\$0.00	\$4.58	\$0.00	\$5.33	\$10.40

Exhibit 12

Age Factor Calibration

Age	Proj Mix %	Age Factor	Age	Proj Mix %	Age Factor	Age	Proj Mix %	Age Factor
0 - 14*	0.4%	0.000	31	2.6%	1.159	49	1.8%	1.706
0-14	5.3%	0.765	32	2.4%	1.183	50	2.2%	1.786
15	0.6%	0.833	33	2.5%	1.198	51	0.8%	1.865
16	0.8%	0.859	34	3.5%	1.214	52	1.0%	1.952
17	0.4%	0.885	35	3.3%	1.222	53	2.4%	2.040
18	0.4%	0.913	36	2.6%	1.230	54	1.4%	2.135
19	0.2%	0.941	37	1.6%	1.238	55	2.4%	2.230
20	1.6%	0.970	38	2.9%	1.246	56	1.4%	2.333
21	2.4%	1.000	39	2.8%	1.262	57	2.2%	2.437
22	0.6%	1.000	40	2.0%	1.278	58	1.8%	2.548
23	0.6%	1.000	41	1.0%	1.302	59	1.0%	2.603
24	0.4%	1.000	42	2.2%	1.325	60	1.6%	2.714
25	1.0%	1.004	43	2.6%	1.357	61	1.6%	2.810
26	2.2%	1.024	44	0.8%	1.397	62	2.2%	2.873
27	2.7%	1.048	45	1.4%	1.444	63	2.9%	2.952
28	2.3%	1.087	46	1.7%	1.500	64+	7.7%	3.000
29	1.8%	1.119	47	2.0%	1.563	Total	100.0%	1.624
30	2.6%	1.135	48	2.4%	1.635	Adj Fx	= 1/Total	0.616

Average Age: 41
 Age used for 0-14: 7
 Age used for 64+: 71

Exhibit 13a

Geographic Factor Calibration

Total: 0.965
Calibration: 1.037

Region	Proj Mix %	Area Factor
3	52.4%	0.933
5	43.1%	0.978
6	4.5%	1.206

Exhibit 13b

Area Factor Change (YoY)

Region	Area Factor	
	2023	2024
3	1.000	0.933
5	0.000	0.978
6	0.000	1.206

Exhibit 14

Calibrated PAIR

Plan ID	Metal	PAIR	Age Calib	Geo Calib	Tobacco	Consumer Adjusted Rate
73891KY0010001	Gold	\$734.94	0.616	1.037	1.000	\$469.08
73891KY0010002	Silver	\$546.20	0.616	1.037	1.000	\$348.62
73891KY0020001	Gold	\$740.04	0.616	1.037	1.000	\$472.33
73891KY0020002	Silver	\$551.20	0.616	1.037	1.000	\$351.81
73891KY0010009	Silver	\$533.48	0.616	1.037	1.000	\$340.50

Exhibit 15

Federal MLR

Item	MLR Item	Formula	PMPM
a	Trended Adjusted Paid Cost		\$476.25
b	Total Risk Adjustment		-\$28.56
c	ACA/State Reinsurance		\$0.00
d	QA Expenses		\$12.63
e	MLR Numerator	e = sum(a:d)	\$460.32
f	Total Premium		\$553.32
g	Exchange User Fee		\$0.00
h	PCORI		\$0.27
i	Risk Adjustment User Fee		\$0.21
j	State Fee		\$0.00
k	Federal Income Tax		\$4.75
l	Health Insurer Fee		\$0.00
m	Premium Tax		\$5.53
n	Other Tax/Fee		\$0.00
o	MLR Denominator	o = f - sum(g:n)	\$542.55
p	Estimated 3-Year Total Average Membership		2,694
q	Estimated Credibility Adjustment		5.1%
r	Estimated Single-Year Federal MLR	r = e / o + q	89.9%

Exhibit 16

Pricing AV

Plan ID	Metal	AV	CSD	Network	Non-EHB	Cat Adj	Admin	AV Pricing
73891KY0010001	Gold	0.776	1.347	1.000	1.000	1.000	1.184	1.239
73891KY0010002	Silver	0.762	0.976	1.000	1.000	1.000	1.239	0.921
73891KY0020001	Gold	0.776	1.347	1.000	1.008	1.000	1.183	1.248
73891KY0020002	Silver	0.762	0.976	1.000	1.011	1.000	1.237	0.929
73891KY0010009	Silver	0.741	0.976	1.000	1.000	1.000	1.244	0.899

Exhibit 17

Member Rating Example

Age: 40
Region: 3
Plan ID: 73891KY0010001

Description	Value
Member: Age 40, Region 3 Plan: Gold 1	
Market Adjusted Index Rate	\$593.18
AV Pricing Value	1.239
Plan Adjusted Index Rate	\$734.94
Age Calibration	0.616
Geographic Calibration	1.037
Calibrated Plan Adjusted Index Rate	\$469.08
Age Factor	1.278
Geographic Factor	0.933
Member Level Premium Rate	\$559.32

Item	Description	Rate/Factor
a	Market-Adjusted Index Rate	\$593.18
b	Age Calibration	0.616
c	Geographic Calibration	1.037
d	Market-Level Base Rate	\$378.60

Highest Premium \$1,708.90