

Written Description Justifying the Rate Increase

Today's Date: July 12, 2024

Issuer: Anthem Blue Cross

Rate Change Effective Date: January 1, 2025

Market: Individual

Scope and range of the rate increase — *Provide the number of individuals impacted by the rate increase. Explain any variation in the increase among affected individuals (e.g., describe how any changes to the rating structure impact premium).*

This is a rate filing for the Individual market ACA-compliant plans offered by Anthem Blue Cross (Anthem). The proposed rates in this filing will be effective for the 2025 plan year beginning January 1, 2025, and apply to plans both On-Exchange and Off-Exchange.

Anthem will continue to participate in its 2024 marketplace footprint consisting of rating areas 1-10 and 12-14 with EPO plans and rating areas 11 and 15-19 with HMO plans.

The proposed rates have been developed from 2023 ACA experience. The proposed average rate change is 12.7%. The proposed annual rate changes by product in this filing range from 12.2% to 14.4%, with rate changes by plan from 9.6% to 14.4%. The rate changes will impact 255,497 current members as of April 1, 2024.

Factors that affect the rate changes for all plans 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, including changes made to comply with updated AV requirements.
- Changes in taxes, fees, and some non-benefit expenses.

Although rates are based on the same claims experience, the rate changes vary by plan due to the following factors:

- Changes in benefit design that vary by plan.
- Updates in benefit relativity factors among plans.
- Updated adjustment factors for catastrophic plans.
- Changes in some non-benefit expenses that are applied on a PMPM basis.
- Changes in the claim cost relativity by area.

Financial experience of the product — *Describe the overall financial experience of the product, including historical summary-level information on historical premium revenue, claims*

expenses, and profit. Discuss how the rate increase will affect the projected financial experience of the product.

Anthem expects the proposed rate increase will result in a medical loss ratio (MLR) of 90.0%, which is greater than the minimum MLR requirement of 80% as defined in the Affordable Care Act. In the event Anthem’s MLR is less than the federal required minimum, Anthem will refund the difference to insured members.

	Actual 2014	Actual 2015	Actual 2016	Actual 2017	Actual 2018	Actual 2019	Actual 2020	Actual 2021	Actual 2022	Estimated 2023	Projected 2024	Projected 2025
MLR Calculation												
Claims and RA	\$ 1,430,824,461	\$ 1,956,569,286	\$ 2,412,762,165	\$ 1,971,642,654	\$ 435,143,991	\$ 432,687,085	\$ 578,730,816	\$ 777,089,095	\$ 1,086,044,341	\$ 1,426,770,227	\$ 1,759,891,591	\$ 1,851,850,625
Premium, Taxes and Fees	\$ 1,913,929,789	\$ 2,398,760,865	\$ 2,541,295,603	\$ 2,167,909,060	\$ 564,155,574	\$ 544,225,265	\$ 663,190,600	\$ 827,797,579	\$ 1,132,823,955	\$ 1,503,647,804	\$ 1,884,554,182	\$ 2,057,114,370
MLR	74.8%	81.6%	94.9%	90.9%	77.1%	79.5%	87.3%	93.9%	95.9%	94.9%	93.4%	90.0%
Member Months	6,233,954	6,836,634	6,975,331	5,117,890	1,020,295	892,696	1,232,619	1,429,518	2,085,324	2,708,967	3,125,086	3,066,384

Changes in Medical Service Costs — Describe how changes in medical service costs are contributing to the overall rate increase. Discuss cost and utilization changes as well as any other relevant factors that are impacting overall service costs.

The primary driver of the premium increase is the increase in the cost of healthcare. The increases are associated with increases in the unit cost of services primarily from hospitals, physicians, and pharmaceutical companies, coupled with increases in the consumption of services, or utilization, by members. Increases in the unit costs of services are driven by many things, including technology advances, cost shifting to private insurers due to reductions in Medicaid and Medicare reimbursement, general inflationary pressures, and a variety of other factors. In particular, the costs of new prescription drugs will continue to have a notable effect on pharmacy inflation.

Changes in benefits — Describe any changes in benefits and explain how benefit changes affect the rate increase. Issuers should explain whether the applicable benefit changes are required by law.

Anthem’s portfolio is determined by Covered CA each year. Covered CA makes plan design changes to keep the plan values consistent year over year, and because of the consistency, changes in benefits do not impact the rates materially.

Administrative costs and anticipated margins — Identify the main drivers of changes in administrative costs. Discuss how changes in anticipated administrative costs and underwriting gain/loss are impacting the rate increase.

Anthem continues to effectively manage administrative and selling costs such that change since last year is minimal. Our targeted underwriting gain is also unchanged since last year and therefore has no influence on the rate increase.