

Anthem Health Plans of Kentucky, Inc. (Anthem)
Rate Justification for QHP Plans
Individual Plans
Rate Change Effective January 1, 2025

Qualified Health Plan (QHP) issuers are required to post a justification for a rate change to its website. Below is the justification for the rate change effective January 1, 2025 for Anthem Individual medical QHP plans offered in Kentucky that are fully-compliant with the Patient Protection and Affordable Care Act (ACA).

Scope and Range of the Rate Change

This filing includes an average rate change of 8.6%, excluding the impact of aging, effective January 1, 2025. At the individual plan level, rate increases range from -2.3 to 19.0% for renewing plans. A subscriber's actual rate could be higher or lower depending on the geographic location, age characteristics, dependent coverage, and other factors.

Financial Experience

Anthem expects the proposed rate increase will cover projected medical trends and yield a medical loss ratio of 82.9%, meaning more than eighty-two cents of each premium dollar are expected to go to covering our members' medical expenses and improving health care quality. This projected MLR of 82.9% exceeds the minimum MLR requirement of 80% as defined in the Affordable Care Act (ACA). In the event Anthem's MLR is less than the Federal required minimum for a three-year period, Anthem will refund the difference to policyholders, consistent with federal regulations.

Significant Cost Components

The primary driver of the premium increase is the increases 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.

Anthem continues to effectively manage administrative and selling costs. Anticipated profits are not expected to materially change such that the changes would impact the proposed rate increase. The Affordable Care Act requires that no less than 80% of a health insurer's premium dollars go to medical expenses, otherwise a premium rebate to employers and subscribers must be generated to refund the difference. Accordingly, Anthem files premiums targeting compliance with that requirement.

What is Anthem doing to keep premiums affordable?

Anthem is investing in many initiatives designed to improve patient safety, outcomes, and health while reducing medical cost trends and allowing our members to better manage their health and health care costs. For instance, we are collaborating with providers through value-based payment models that reward them when they provide high-quality, evidence-based care, which reduces costs over time by,

among other things, improving health and reducing or eliminating avoidable ER visits and admissions. This includes programs designed to promote and support patient-centered care models under which Anthem gives primary care physicians tools and resources to proactively manage the overall health of their patients and coordinate their care across all settings. It also includes hospital pay for performance programs where Anthem rewards hospitals when they meet patient safety, outcome, and satisfaction measures.

In addition, we continue to negotiate the best possible rates for covered services and through our Estimate Your Cost tool, help our members make informed health care purchasing decisions by allowing them to compare costs and quality for hundreds of procedures at different facilities and estimate their out-of-pocket expenses.

Finally, we are dedicated to working with our members to find health coverage plans that are the most appropriate, beneficial, and affordable for their needs.