

## Amendment of AWLP-129560223

<b>SERFF Tracking Number:</b>	AWLP-129560223	<b>State:</b>	Connecticut
<b>Filing Company:</b>	Anthem Health Plans, Inc dba Anthem Blue Cross and Blue Shield of Connecticut	<b>State Tracking Number:</b>	201403469
<b>Company Tracking Number:</b>			
<b>TOI:</b>	HOrg02I Individual Health Organizations - Health Maintenance (HMO)	<b>Sub-TOI:</b>	HOrg02I.005C Individual - Other
<b>Product Name:</b>	Individual 2015		
<b>Project Name:</b>			

**Date Submitted:**

06/14/2014 02:13 PM

**Comments:**

Updated Actuarial Memorandums:

State Version: Updated Exhibits B & D to better explain the exhibits, Revised Exhibit R to contained Normalized trend data and adjusted section 9 to better describe the source of data.

Federal Version: Updated Exhibits B & D to better explain the exhibits, adjusted section 9 to better describe the source of data.

Revised Supporting Documents included in the Supporting Documents tab.

**Changed Items:**

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Supporting Document Schedule Item Changes
  <span>Actuarial Memorandum</span>



# ACTUARIAL MEMORANDUM

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## 1. General Information

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- Company Identifying Information

Company Legal Name:	Anthem Health Plans, Inc.
State:	Connecticut
HIOS Issuer ID:	86545
NAIC Company Code:	60217
Market:	Individual
Effective Date:	January 1, 2015

- Company Contact Information

Primary Contact Name:	John Bryson
Primary Contact Telephone Number:	(203) 677-8026
Primary Contact Email Address:	John.Bryson@anthem.com

## 2. Scope and Purpose of the Filing

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To the best of Anthem's knowledge and current understanding, this filing complies with the most recent regulations and related guidance. To the extent relevant rules or guidance on the rules are updated or changed, amendments to this filing may be required.

The purpose of this rate filing is to establish rates that are reasonable relative to the benefits provided and to demonstrate compliance with state laws and provisions of the Affordable Care Act (ACA). The rates will be in-force for effective dates on or after January 1, 2015. These rates will apply to plans offered both On-Exchange and Off-Exchange. This rate filing is not intended to be used for other purposes.

Policy Form Number(s):

HIX\_CT\_HMO\_HSA\_(1/15)  
CT\_OFF\_HIX\_HM\_HS\_(1/15)  
CT\_HIX\_PP\_HS\_(1/15)  
CT\_OFF\_HIX\_PP\_HS\_(1/15)

## 3. Introduction

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This filing includes an average rate increase of 12.5%, with range by plan between -4.8% and 17.4%. More details are provided below in Section 5: Proposed Rate Increase, and in Exhibit I: Non-Grandfathered Benefit Plan Factors and Rate Increases.

- Changes from 2014 Filings

Area factors have been adjusted to reflect most current experience. Refer to Exhibit K: Area Factors.

This filing includes new exhibits showing the Market Adjusted Index Rate, Plan Adjusted Index Rate, and Consumer Adjusted Premium Rates, as defined in the new memo instructions for 2015 filings. See Exhibit N: Market Adjusted Index Rate Development and Exhibit O: Plan Adjusted Index Rate and Consumer Adjusted Premium Rates.

#### **4. Description of How the Base Rate Is Determined**

The methodology used to develop the rates this year is consistent with the methodology that was used last year. The development of the Base Rate is detailed in Exhibit A: Base Rate Development. Further details on how the base rate is developed can be found in Section 9: Credibility Manual Rate Development, Section 12: Risk Adjustment and Reinsurance, Section 13: Non-Benefit Expenses, Profit and Risk, and Section 19: Calibration. A description of the methodology used to determine the base rate is as follows:

- Historical Individual experience is not considered representative of the future market; therefore, the manual rates are developed based on Small Group experience.
- The experience data is normalized to reflect anticipated changes in age/gender, area/network and benefit plan from the experience period to the projection period based on expected distribution of membership.
- The projected claims cost is calculated by adjusting the normalized claims for the impact of benefit changes such as population morbidity, trend factors, etc. Adjustment is not based on the health status of the member.
- The projection period is January 1, 2015 - December 31, 2015.
- Adjustments for risk adjustment and reinsurance are applied to the projected claims cost.
- Non-benefit expenses, profit, and risk are applied to the projected claims cost to determine the required projection period premium.
- The projection period premium is adjusted by the average rating factors in the projection period to determine the base rate.
- The base rate represents an average benefit plan and area for an age 21 member in Connecticut.

Premiums at the member level are determined by multiplying the base rate by the applicable factor for each of the allowable rating criteria: age, area and benefit plan. An example of this calculation is shown in Exhibit L: Sample Rate Calculation.

#### **5. Proposed Rate Increase**

The average proposed rate increase is 12.5%. Factors that affect the proposed rate increase for all plans include:

- Changes in benefit design
- Anticipated changes in the market-wide morbidity of the covered population in the projection period
- Changing trends in medical costs and utilization and other cost of care impacts
- Anticipated changes due to network contracting
- Anticipated changes in payments from and contributions to the Federal Transitional Reinsurance Program
- Changes in taxes, fees, and other non-benefit expenses

The rate increase is shown in Exhibit I: Non-Grandfathered Benefit Plan Factors and Rate Increases.

Although rates are based on the same single risk pool of experience, proposed rate increases vary by plan from -4.8% to 17.4%. Factors that affect the variation in the proposed rate increase by plan include:

- Changes in benefit design that vary by plan
- Changes in the adjustment factor for Catastrophic eligibility
- Changes in Non-Benefit Expenses that are applied on a PMPM basis
- Changes in the underlying area rating factors

Starting January 1, 2014, a single area factor will apply to all plans in each geographic rating area. Refer to Exhibit I: Non-Grandfathered Benefit Plan Factors and Rate Increases and Exhibit K: Area Factors for details.

These rate increases by plan are shown in Exhibit I: Non-Grandfathered Benefit Plan Factors and Rate Increases.

## **6. Experience Period Premium and Claims**

Experience shown in Worksheet 1, Section I of the Unified Rate Review Template is for the Connecticut Individual Single Risk Pool Non-Grandfathered Business. Consistent with last year, Anthem is assigning 0% credibility to the single risk pool experience, thus it is not used for developing manual rates. The manual rate development is fully detailed in Section 9: Credibility Manual Rate Development.

Claims experience in Worksheet 1, Section I of the Unified Rate Review Template reflects dates of service from January 1, 2013 through December 31, 2013.

- Paid Through Date

Claims shown in Worksheet 1, Section I of the Unified Rate Review Template are paid through March 31, 2014.

- **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 claims paid for a particular month after one month of run out, two months, etc., for a forty-eight month view of history. Claim backlog files are reviewed on a monthly basis and are accounted for in the historical completion factor estimates.

- **Premiums (net of MLR Rebate) in Experience Period**

The estimated Non-Grandfathered gross earned premium for Connecticut Individual is \$71,797,372, where earned premium is the pro-rata share of premium owed to Anthem due to subscribers actively purchasing insurance coverage during the experience period.

The preliminary MLR Rebate estimate is \$0, which is consistent with the December 31, 2013 Anthem general ledger estimate allocated to the Non-Grandfathered portion of Individual. Note that this is an estimate and will not be final until June 1, 2014.

Exhibit S: Historical Experience details historical experience for the policy forms included in this filing.

### Consistency with most recent financial statements

Anthem reconciles its internal source systems monthly to ensure consistency with reported financials. Please note that the products contained in this filing are only a part of the total business reported on the financial statements. In addition, there are timing differences and certain definitional differences in the statutory statements compared to emerging experience utilized in this filing.

## **7. Benefit Categories**

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The methodology used to determine benefit categories in Worksheet 1, Section II of the Unified Rate Review Template 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, dental services and other 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.

## **8. Projection Factors**

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As previously indicated, the credibility level assigned to the experience in Worksheet 1, Section III of the Unified Rate Review Template is 0%. Consequently, factors to project experience claims are not provided as they are not applicable. However, the factors used to develop the manual rates are fully detailed in Section 9: Credibility Manual Rate Development.

## **9. Credibility Manual Rate Development**

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Consistent with last year's methodology, experience developed and projected herein is Anthem's Small Group Business based on plan liability amounts. The rate development is shown in Exhibit A: Base Rate Development.

### **• Source and Appropriateness of Experience Data Used**

As mentioned in Section 4: Description of How the Base Rate Is Determined and Section 6: Experience Period Premium and Claims, historical Individual experience is not considered representative of the 2015 market environment due to ACA requirements of guarantee issue, EHB, minimum actuarial value constraints, and other mandate changes. Historical Small Group experience is more reflective of the 2015 population since Small Group business is already guarantee issue with no medical underwriting, and benefit designs are closer to the 2015 ACA requirements. Therefore, Anthem is using Small Group experience to develop manual rates.

The source data underlying the development of the manual rate consists of claims for Small Group business, incurred during the period January 1, 2013 – December 31, 2013. Completion factors are then calculated to reflect additional months of runout after December 31, 2013 and are adjusted to reflect actual experience through March 31, 2014. Anthem expects a large portion of the Grandfathered policyholders to migrate to ACA-compliant policies prior to and during the projection period.

In developing rates effective January 1, 2015, only limited 2014 experience is available. This experience is not deemed credible for purposes of rate development.

Experience is adjusted as follows:

- Claims incurred for members who live out-of-state were excluded; however, claims incurred by in-state members traveling out-of-state were included.

For more detail, see Exhibit B: Claims Experience for Manual Rate Development.

- **Adjustments Made to the Data**

The development of the projected claims is summarized in Exhibit A: Base Rate Development, items (1) - (10), and described in detail below.

The projected claims cost is calculated by multiplying the normalized claims cost by the impact of benefit changes, anticipated changes in population morbidity, and cost of care impacts. The adjustments are described below, and the factors are presented in Exhibit D: Projection Period Adjustments. In addition, the source data is normalized for changes in the provider contracts.

#### **Changes in Demographics (Normalization)**

The source data was normalized to reflect anticipated changes in age/gender, area, network, and benefit plan from the experience period to the projection period. The purpose of these factors is to adjust current experience to be reflective of expected claim experience in the projection period. See Section 23: Membership Projections for additional information on membership movement. The normalization factors and their aggregate impact on the underlying experience data are detailed in Exhibit C: Normalization Factors.

- **Age/Gender:** The assumed claims cost is applied by age and gender to the experience period distribution and the projection period distribution.
- **Area/Network:** The area claims factors are developed based on an analysis of Individual allowed claims by network, mapped to the prescribed 2015 rating areas using 5-digit zip code.
- **Benefit Plan:** The experience period claims are normalized to an average 2015 plan 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.

#### **Changes in Benefits**

Benefit changes include the following:

- **Preventive Rx (over the counter):** The claims are adjusted for 100% coverage of benefits for specific over the counter drugs obtained with a prescription from a physician.
- **Rx Adjustments:** The claims are adjusted for differences in the Rx formulary and the impact of moving drugs into different tiers in the projection period relative to what is reflected in the base experience data.

## Changes in the Morbidity of the Population Insured

Morbidity changes include the following (for Morbidity factor, see Exhibit D: Projection Period Adjustments):

- Higher morbidity expected from individual-level purchasing decisions in 2015: Anthem assumes that the morbidity of the smallest groups, sizes 2 – 5 members, relative to the total small group population are a reasonable approximation for the health status of the individual market. Relative morbidity by group size is based on health status determined from internal risk score data.
- Higher morbidity of the uninsured compared to the insured population: This adjustment is based on a CDC study on the health status and life styles of both currently insured and uninsured populations. This adjustment also considers the expected number of previously uninsured individuals expected to move into the Individual market in 2015.
- Pent-up demand: As previously uninsured individuals obtain insurance in 2015, Anthem expects them to have some pent-up demand for health care services. An adjustment is needed to account for this additional utilization of health care services in year one. Previously uninsured individuals are assumed to utilize more health care services due to pent-up demand. Currently insured members are assumed to have no pent-up demand for health care services in year one.

Our goal is to price to the average risk of the 2015 ACA market. Since Anthem-specific 2013 experience was used as a starting point, we adjusted this experience to be more consistent with the overall 2013 market in Connecticut. Wakely Consulting collected demographic and risk information from carriers, and calculated Anthem's relative risk to the market for 2013. We have adjusted our starting experience using the results of that survey.

## Trend Factors

- The annual pricing trend used in the development of the rates is 8.4%. The trend is developed by normalizing historical benefit expense for changes in the underlying population and known cost drivers, and the result is projected forward using regression analysis. The trend includes a volatility provision in accordance with Actuarial Standards of Practice. The claims are trended 24 months from the midpoint of the experience period, which is July 1, 2013, to the midpoint of the projection period, which is July 1, 2015.
- Projected trends include the estimated cost during 2014 and 2015 of the pharmaceutical Sovaldi and other high-cost drugs for treating Hepatitis C. These cost estimates were based on claims experience for Connecticut Individual business, together with CDC recommendations and Industry and Enterprise data.

## Other Cost of Care Impacts

- Induced Demand Due to Cost Share Reductions: Individuals below 250% Federal Poverty Level who enroll in silver plans On-Exchange will be eligible for cost share reductions. As a result, the base period experience is adjusted to account for the higher anticipated utilization levels.
- Adjustment to align Anthem claims experience with benchmark plans established for Connecticut.
- Grace Period: The base period experience is adjusted upward to account for some incidence of enrollees not paying premiums due during the first month of the 90-day grace period when the QHP is liable for paying claims. Anthem is assuming a 15% rate of premium non-payment on one-twelfth of the annual premium due for 60% of the Individual population (those eligible for Advance Payments of a Premium Tax Credit). The amount of premium at risk is only on the portion that Anthem does not receive via direct subsidy, estimated to be about 50%. These assumptions result in an upward adjustment to the base rate of 0.375% ( $0.15 \times 0.60 \times 50\% \times 1/12 = 0.00375$ ).
- Utilization or cost-per-service change: anticipated changes are reflected in the morbidity changes and trend.
- Change in Medical Management: medical management savings not already included in the claims experience and trend.

#### **Other Claim Adjustments**

The adjustments described below are presented in Exhibit E: Other Claim Adjustments.

- 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.
- The cost of adding benefits for pediatric dental and vision are included.

- **Capitation Payments**

The underlying data includes capitation payments, which are combined with the base medical and pharmacy claims and projected at the same rate. No further adjustment is made to the capitation.

## **10. Credibility of Experience**

The underlying experience data does not reasonably reflect individual claims experience under the future market conditions. Anthem believes that Small Group experience is more representative of the future projection period. Actuarial judgment has been exercised to determine that rates will be developed giving full credibility to the data underlying the manual rate in Section 9: Credibility Manual Rate Development.

- **Resulting Credibility Level Assigned to Base Period Experience**

The credibility level assigned to the experience in Worksheet 1, Section III of the Unified Rate Review Template is 0%.

## **11. Paid to Allowed Ratio**

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The 'Paid to Allowed Average Factor in Projection Period' shown in Worksheet 1, Section III of the Unified Rate Review Template is developed by membership-weighted essential health benefit paid claims divided by membership-weighted essential health benefit allowed claims of each plan. The projected membership by plan is shown in Worksheet 2, Section II.

## **12. Risk Adjustment and Reinsurance**

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- Projected Risk Adjustment

The Risk Adjustment program transfers funds from lower risk plans to higher risk plans in the Non-Grandfathered Individual and Small Group market. The HHS operated Risk Adjustment program is supported by a user fee, as shown in Exhibit F: Risk Adjustment and Reinsurance - Contributions and Payments.

Anthem is assuming the risk for the plans in this filing are no better or worse than other plans in the market, resulting in no estimated risk transfer value as shown in Exhibit F: Risk Adjustment and Reinsurance - Contributions and Payments.

- Projected ACA Reinsurance Recoveries Net of Reinsurance Premium

The transitional reinsurance risk mitigation program collects funds from all insurance issuers and TPAs and redistributes them to high cost claimants in the Non-Grandfathered Individual market. The reinsurance contribution is equal to the national per capita reinsurance contribution rate as shown in Exhibit F: Risk Adjustment and Reinsurance - Contributions and Payments.

The reinsurance payment is developed using projected paid claims, claim probability distribution, and reinsurance payment guidelines. The claim probability distribution observes claims between \$70K and \$250K using a claim probability distribution that reflects the anticipated claim cost distribution of the 2015 Individual market. The coinsurance rate is 50%. Expected paid claims are calculated for an assumed average On-Exchange plan design. Reinsurance payments are allocated proportionally by plan premiums to all plans in the risk pool. CMS has announced an intention to modify the reinsurance program for 2015 by adjusting the attachment point and coinsurance rate. However, we do not expect this to change our projection of the total reinsurance payment, because the total funding available for the reinsurance program is not proposed to change.

## **13. Non-Benefit Expenses, Profit and Risk**

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Non-Benefit expenses are detailed in Exhibit G: Non-Benefit Expenses and Profit & Risk.

- Administrative Expense

Administrative Expense contains both acquisition costs associated with the production of new business through non-broker distribution channels (direct, telesales, etc) as well as maintenance costs associated with ongoing costs for the administration of the business. Acquisition costs are projected using historical cost per member sold amounts applied to future sales estimates. Maintenance costs are projected for 2015 based on 2013 actual expenses, with adjustments for expected changes in business operations including the elimination of underwriting offset by new expenses for risk management, regulatory compliance and premium reconciliation and balancing.

- Miscellaneous Item

The miscellaneous item represents the assessment from the State of Connecticut to cover the cost of the Vaccine Immunization Program which provides immunizations for all Connecticut residents.

- Quality Improvement Expense

The quality improvement expense represents Anthem's dedication to providing the highest standard of customer care and consistently seeking to improve health care quality, outcomes and value in a cost efficient manner.

The QI Expense assumptions are based on historical amounts related to the following initiatives: Improve Health Outcomes, Activities to Prevent Hospital Readmissions, Improve Patient Safety and Reduce Medical Errors, Wellness and Health Promotion Activities, HIT Expenses for Health Care Quality Improvements, Other Cost Containment and ICD-10.

- Selling Expense

Selling Expense represents broker commissions and bonuses associated with the broker distribution channel using historical and projected commission levels. Commissions will be paid both On-Exchange and Off-Exchange.

- Taxes and Fees

- Patient-Centered Outcomes Research Institute (PCORI) Fee: The PCORI fee is a federally-mandated fee designed to help fund the Patient-Centered Outcomes Research Trust Fund. For plan years ending before October 1, 2014, the fee is \$2 per member per year. Thereafter, for every plan year ending before October 1, 2019, the fee will increase by the percentage increase in National Healthcare Expenditures.
- ACA Insurer Fee: The health insurance industry will be assessed a permanent fee, based on market share of net premium, which is not tax deductible. The tax impact of non-deductibility is captured in this fee.

- Exchange Fee: The Exchange User Fee applies to Exchange business only, but the cost is spread across all Individual plans. The expected charge is estimated at 1.35% of Total Individual Premium. The resulting percentage is applied evenly to all plans in the risk pool, both On and Off Exchange.
- Premium taxes, federal income taxes and state income taxes are also included in the retention items.
- Profit

Profit is reflected on a post-tax basis as a percent that does not vary by product or plan. The profit percentage does not include any assumed risk corridor payments or receipts.

#### **14. Projected Loss Ratio**

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- Projected Federal MLR

The projected Federal MLR for the products in this filing is estimated in Exhibit M: Federal MLR Estimated Calculation. Please note that this calculation is purely an estimate and not meant to be a true measure for Federal or State MLR rebate purposes. The products in this filing represent 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. Single Risk Pool**

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As described above in Section 4: Description of How the Base Rate Is Determined, the Anthem Index Rate for Individual business in Connecticut is based on total combined claims costs for providing essential health benefits within the single risk pool of non-grandfathered Individual plans in Connecticut. The Index Rate is adjusted on a market-wide basis for the state based on the total expected market-wide payments and charges under the risk adjustment and reinsurance programs and Exchange user fees. The premium rates for all Anthem non-grandfathered plans in the Individual market use the applicable market-wide adjusted index rate, subject only to the permitted plan-level adjustments. This demonstrates that the Single Risk Pool for Anthem Individual business is established according to the requirements in 45 CFR part 156, §156.80(d).

#### **16. Index Rate**

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- Experience Period Index Rate

The index rate represents the average allowed claims PMPM of essential health benefits for Anthem's Individual Non-Grandfathered Business. The experience period index rate shown in Worksheet 1, Section I (cell G17) of the Unified Rate Review Template is \$318.00 and is the same as the experience period allowed claims (cell G16 in the same location). A comparison to the benchmark was performed, and only essential health benefits were covered during the experience period.

- **Projection Period Index Rate**

The index rate represents the average allowed claims PMPM of essential health benefits for Anthem's Individual Non-Grandfathered Business. The projection period index rate was developed as shown in Exhibit N: Market Adjusted Index Rate Development by adjusting the projected incurred claims PMPM described in Section 9: Credibility Manual Rate Development of this memorandum. No benefits in excess of the essential health benefits are included in the projection period allowed claims (cell T30 of Worksheet 1, Section II of the Unified Rate Review Template) or Exhibit N: Market Adjusted Index Rate Development's projection period index rate (also shown in cell V44 of Worksheet 1, Section III of the Unified Rate Review Template).

## **17. Market Adjusted Index Rate**

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The Market Adjusted Index rate is calculated as the Index Rate adjusted for all allowable market wide modifiers defined in the market rating rules. This development is presented in Exhibit N: Market Adjusted Index Rate Development.

## **18. Plan Adjusted Index Rate**

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The Plan Adjusted Index Rate is calculated as the Market Adjusted Index Rate adjusted for all allowable plan level modifiers defined in the market rating rules. This development is presented in Exhibit O: Plan Adjusted Index Rate and Consumer Adjusted Premium Rates.

- **Plan Level Modifiers**
  - **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. This also includes an adjustment for the average tobacco factor shown in Exhibit H: Calibration.
  - **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 EHBs:** This multiplicative factor adjusts for additional benefits that are not EHBs.
  - **Adjustments for administrative cost:** This is an additive adjustment that includes all the Selling Expense, Administration and Other Retention Items shown in Exhibit G: Non-Benefit Expenses and Profit & Risk, with the exception of the Exchange User Fee.

## **19. Calibration**

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The required premium in the projection period is calibrated by the average rating calibration factors (Age, Area, and Plan Factor), which are used to develop the Consumer Adjusted Premium Rates. The average rating factors are shown in Exhibit H: Calibration, Exhibit O: Plan Adjusted Index Rate and Consumer Adjusted Premium Rates, and applied in line item 14 of Exhibit A: Base Rate Development.

- **Benefit Plan Factors**

The benefit plan rating factors are applied to the projection period distribution.

Benefit plan factors also consider the following adjustments, as applicable.

- **Benefit Richness Factor Adjustment:** This adjustment accounts for member behavior variations depending on the richness of the benefit design.
- **Pediatric Dental and Vision Benefits:** For plans excluding the pediatric dental benefit and pediatric vision benefit, the benefit plan factor reflects reduced benefits.
- **Non-EHBs:** For plans including benefits in addition to EHBs, the benefit plan factor reflects enhanced benefits.
- **Catastrophic Factor:** This adjustment assumes a healthier than average population will select the catastrophic plan. The catastrophic adjustment factor is normalized to 1.0 across all plans in the Single Risk Pool.
- **Provider Network:** This factor accounts for differences in contracted rates and network structure.

Refer to Exhibit I: Non-Grandfathered Benefit Plan Factors and Rate Increases.

- **Age Factors**

The HHS-required age factors are applied to the projection period distribution.

- **Area Factors**

Starting January 1, 2014, a single area factor will apply to all plans in each geographic rating area.

Area factors have been adjusted to reflect the most current experience. Refer to Exhibit K: Area Factors.

## **20. Consumer Adjusted Premium Rate**

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The Consumer Adjusted Premium Rate is calculated as the Plan Adjusted Index Rate calibrated as described in the previous section. This development is presented in Exhibit O: Plan Adjusted Index Rate and Consumer Adjusted Premium Rates. The calibration is shown in Exhibit H: Calibration.

## **21. Actuarial Value Metal Values**

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The Actuarial Value (AV) Metal Values included in Worksheet 2 of the Unified Rate Review Template 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. 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.

## **22. Actuarial Value Pricing Values**

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The AV Pricing Values for each Product ID are in Worksheet 2, Section I of the Unified Rate Review Template. The fixed reference plan selected as the basis for the AV Pricing Value calculations is '86545CT1340008'. Consistent with final Market rules, utilization adjustments are made to account for member behavior variations based upon cost-share variations of the benefit design and not the health status of the member. The average allowable modifiers to the Index Rate can be found in Exhibit O: Plan Adjusted Index Rate and Consumer Adjusted Premium Rates.

## **23. Membership Projections**

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Membership projections in Worksheet 2 of the Unified Rate Review Template are developed using a population movement model plus adjustments for sales expectations. This model projects the membership in the projection period by taking into account:

- Uninsured to Individual as a result of guaranteed issue, subsidized coverage, and individual mandate
- Small Group to Individual as a result of guaranteed issue and rate disruptions due to the transition to Modified Community Rating
- High Risk Pools to Individual as a result of guaranteed issue
- Individual and Uninsured to Medicaid as a result of expanded Medicaid eligibility

The plan distribution is based on assumed metal tier and network distributions. Some 2014 preliminary enrollment information has been considered in projecting membership distributions.

The resulting differences in morbidity between the Small Group experience used as the starting point for the manual rate and the expected 2015 Individual market population are reflected in Exhibit D: Projection Period Adjustments, and the impact of differences in distribution by age, benefit plan, and area are reflected in Exhibit C: Normalization Factors.

Cost share reduction subsidies will be available on silver level plans. Anthem ran projections to estimate enrollment by income level in each of the plans. Projected enrollment by plan and subsidy level can be found in Exhibit P: Membership Projections for Cost-Sharing Reductions.

## **24. Warning Alerts**

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There are no warning alerts indicated on Worksheet 2 of the Unified Rate Review Template.

## **25. Plan Type**

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Plan types in Worksheet 2, Section I of the URRT adequately describe Anthem's plans.

## **26. Effective Rate Review Information**

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The RBC Ratio for Anthem Health Plans, Inc. is 545.16% as of 12/31/2013.

Current capital and surplus for Anthem Health Plans, Inc. is \$320,293,467 as shown on page 5, line 49 of the 2013 Annual Statement.

## **27. State Actuarial Memorandum Requirements**

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Supplemental material to satisfy the filing requirements from Bulletin HC-81-2.

Trend information by cost, utilization, technology, and other components. Exhibit Q: Trend Exhibit details Anthem's trend information.

Benefit buy-down impacted on trend: No explicit buy-down impact was used in the rate development.

Claim lag triangle: The total claim lag triangle can be found in Exhibit R: Claim Lag Triangle.

## **28. Reliance**

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

## 29. Actuarial Certification

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I, Michael Bears, 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:

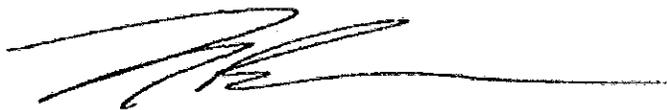
- In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80(d)(1)),
- Developed in compliance with the applicable Actuarial Standards of Practice
- Reasonable in relation to the benefits provided and the population anticipated to be covered
  
- Neither excessive nor deficient.

(2) 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.

(3) The percent of total premium that represents essential health benefits included in Worksheet 2, Sections III and IV is calculated in accordance with actuarial standards of practice.

(4) The 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 increases, 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 Memo does accurately describe the process used by the issuer to develop the rates.



Michael Bears, FSA, MAAA  
Regional Vice President and Actuary III

June 13, 2014

\_\_\_\_\_  
Date

## Exhibit A - Base Rate Development

### Anthem Health Plans, Inc. Individual

Rates Effective January 1, 2015

	<u>Paid Claims</u>	
1) Experience Period Cost PMPM	\$ 453.53	Exhibit B
2) <u>x Normalization Factor</u>	<u>0.8788</u>	Exhibit N
3) = Normalized Claims	\$ 398.56	= (1) x (2)
4) x Benefit Changes	0.9568	Exhibit D
5) x Morbidity Changes	0.9886	Exhibit D
6) x Trend Factor	1.1754	Exhibit D
7) <u>x Other Cost of Care Impacts</u>	<u>1.0047</u>	Exhibit D
8) = Projected Claim Cost	\$ 445.20	= (3) x (4) x (5) x (6) x (7)
9) + Other Claim Adjustments	\$ (4.15)	Exhibit E
10) = Claims Projected to Projection Period	\$ 441.05	= (8) + (9)
11) + Risk Adjustment and Reinsurance - Contributions and Payments	\$ (32.60)	Exhibit F
12) <u>+ Non-Benefit Expenses and Profit &amp; Risk {1}</u>	<u>\$ 106.66</u>	Exhibit G
13) = Required Premium in Projection Period	\$ 515.11	= (10) + (11) + (12)
14) <u>÷ Calibration Factor</u>	<u>1.6047</u>	Exhibit H
15) = Required Base Rate (Average Plan Level - Age 21)	\$ 321.00	= (13) ÷ (14)
16) Projected Loss Ratio (Conventional Basis)	79.3%	= [(10) + (11)] ÷ (13)

**NOTES:**

{1} Equivalent to PMPM expenses on Exhibit G + % of premium expenses on Exhibit G applied to Required Premium (Row 13 above).

## Exhibit B - Claims Experience for Manual Rate Development

Anthem Health Plans, Inc.  
Individual

Incurred January 1, 2013 through December 31, 2013  
Paid through December 31, 2013

PAID CLAIMS:									
Incurred and Paid Claims:		IBNR:		Fully Incurred Claims:			Total	Member	Total
Medical	Drug	Medical	Drug	Medical	Drug	Capitation	Benefit Expense	Months	PMPM
\$ 317,746,206	\$ 99,786,536	\$ 27,099,968	\$ 3,684,298	\$ 344,846,174	\$ 103,470,834	\$ 3,545,703	\$ 451,862,711	996,325	\$ 453.53

ALLOWED CLAIMS:									
Incurred and Paid Claims:		IBNR:		Fully Incurred Claims:			Total	Member	Total
Medical	Drug	Medical	Drug	Medical	Drug	Capitation	Benefit Expense	Months	PMPM
\$ 370,668,211	\$ 116,562,623	\$ 31,684,246	\$ 4,322,842	\$ 402,352,457	\$ 120,885,465	\$ 3,545,703	\$ 526,783,625	996,325	\$ 528.73

**Note**

Drug Claims are processed by an external vendor.

IBNR has been adjusted to reflect actual paid data through March 31, 2014.

### Exhibit C - Normalization Factors

Anthem Health Plans, Inc.  
Individual

Rates Effective January 1, 2015

	Average Claim Factors		Normalization Factor
	Experience Period Population	Future Population	
Age/Gender	1.0554	1.1439	1.0839
Area	0.9593	1.0076	1.0504
Network	1.0128	0.9677	0.9555
Benefit Plan	0.8367	0.6759	0.8078
<b>Total</b>			<b>0.8788</b>

## Exhibit D - Projection Period Adjustments

**Anthem Health Plans, Inc.  
Individual**

Rates Effective January 1, 2015

<i>Impact of Changes Between Experience Period and Projection Period:</i>		<b><u>Adjustment Factor</u></b>
<b><u>Benefit changes</u></b>		
Preventive Rx (over the counter)		1.0001
Rx Adjustments {1}		0.9567
Total Benefit Changes		0.9568
<b><u>Morbidity changes</u></b>		
Total Morbidity Changes		0.9886
<b><u>Cost of care impacts</u></b>		
Annual Medical/Rx Trend Rate		8.42%
Months of Projection		24
Trend Factor		1.1754
Medical Management		0.9878
Induced Demand for CSR		1.0133
Grace Period		1.0038
Total other Impacts		1.0047

**NOTES:**

{1} Includes Rx formulary and impacts for moving drugs into different tiers

## Exhibit E - Other Claim Adjustments

Anthem Health Plans, Inc.  
Individual

Rates Effective January 1, 2015

<i>Adjustments to projection period claims to reflect covered benefits not included in experience period data:</i>	
	<u>PMPM</u>
Rx Rebates	(\$7.60)
Pediatric Dental	\$2.89
Pediatric Vision	\$0.56
Total	(\$4.15)

**NOTES:**

Adjustments above reflect ONLY additional costs beyond those already captured in line Item 8 of Exhibit A.

# Exhibit F - Risk Adjustment and Reinsurance - Contributions and Payments

Anthem Health Plans, Inc.  
Individual

Rates Effective January 1, 2015

<b><u>Risk Adjustment:</u></b>			
<b>PMPM</b>	<b>User Fee</b>	<b>Net Transfer</b>	
Federal Program	\$0.08	\$0.00	
<u>Note:</u>			
It is assumed the risk for the plans included in this rate filing is no better/worse than any other plans within this market.			
<b><u>Reinsurance:</u></b>			
<b>PMPM</b>	<b>Contributions Made</b>	<b>Expected Receipts</b>	
Federal Program	\$3.67	(\$36.35)	<i>Small Group Plans contribute funds but only Individual Plans are eligible to receive payments</i>
<u>Source:</u>			
HHS estimates a national per capita contribution rate of \$3.67 per month (\$44 per year) in benefit year 2015 (per Payment Parameter Rule).			
<b>Grand Total of All Risk Mitigation Programs</b>			<b>(\$32.60)</b>

## Exhibit G - Non-Benefit Expenses and Profit & Risk

Anthem Health Plans, Inc.  
Individual

Rates Effective January 1, 2015

	Expenses Applied As a PMPM Cost	Expenses Applied as a % of Premium	Expressed as a PMPM {1}
Administrative Expenses			
Administrative Costs	\$30.57		
Quality Improvement Expense	\$3.48		
Selling Expense		2.07%	
Specialty Expenses	\$0.65		
Misc (PMPM) {4}	\$1.47		
<b>Total Administrative Expenses</b>	<b>\$36.17</b>	<b>2.07%</b>	<b>\$46.83</b>
Taxes and Fees			
PCORI Fee	\$0.18		
ACA Insurer Fee		3.48%	
Exchange Fee		1.35%	
Premium Tax		1.75%	
MLR-Deductible Federal/State Income Taxes {2}		1.75%	
<b>Total Taxes and Fees</b>	<b>\$0.18</b>	<b>8.33%</b>	<b>\$43.09</b>
<b>Total Non-Benefit Expenses, Profit, and Risk</b>	<b>\$36.35</b>	<b>13.65%</b>	<b>\$106.66</b>

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

{4} Includes charge for State of Connecticut Vaccine Immunization Program.

## Exhibit H - Calibration

Anthem Health Plans, Inc.  
Individual

Rates Effective January 1, 2015

<i>Average 2015 rating factors for 2015 population:</i>	
	<b>Calibration Factors</b>
<b>Age</b>	1.5926
<b>Area</b>	1.0076
<b>Benefit Plan</b>	1.0000
<b>Total Calibration Factor</b>	1.6047

**NOTES:**

See Line Item 14 on Exhibit A.

The base rate is developed by dividing the required premium in the projection period by the total average rating factor shown above.

## Exhibit I - Non-Grandfathered Benefit Plan Factors and Rate Increases

### Anthem Health Plans, Inc. Individual

Rates Effective January 1, 2015

HIOS Plan Name	2015 HIOS Plan ID	On/Off		Benefit Plan		Network Name	Area(s) Offered	2014 HIOS Plan ID Mapping	Plan Specific Rate Increase* (excluding aging)
		Exchange	Metal Level	Factor					
Anthem HMO Catastrophic Pathway X Enhanced 6600/0%	86545CT1230009	On	Catastrophic	0.5268		CT IND:-:Pathway X Enhanced	01,02,03,04,05,06,07,08	86545CT1230005	-4.80%
Anthem HMO Bronze Pathway X Enhanced 0% for HSA	86545CT1230006	On	Bronze	0.7032		CT IND:-:Pathway X Enhanced	01,02,03,04,05,06,07,08	86545CT1230001	7.41%
Anthem HMO Bronze Pathway X Enhanced 5750/0%	86545CT1230007	On	Bronze	0.8037		CT IND:-:Pathway X Enhanced	01,02,03,04,05,06,07,08	86545CT1230002	16.29%
Anthem HMO Gold Pathway X Enhanced 1500/0%	86545CT1230008	On	Gold	1.1829		CT IND:-:Pathway X Enhanced	01,02,03,04,05,06,07,08	86545CT1470001	17.38%
Anthem PPO Bronze Standard Pathway X 5000/40%	86545CT1330006	On	Bronze	0.7648		CT IND:-:Pathway X	01,02,03,04,05,06,07,08	86545CT1330002	4.39%
Anthem PPO Bronze Standard Pathway X 0% for HSA	86545CT1330009	On	Bronze	0.7372		CT IND:-:Pathway X	01,02,03,04,05,06,07,08	None	n/a
Anthem PPO Silver Standard Pathway X 2600	86545CT1330005	On	Silver	1.0541		CT IND:-:Pathway X	01,02,03,04,05,06,07,08	86545CT1330001	13.77%
Anthem PPO Silver Pathway X 3200/0%	86545CT1330008	On	Silver	1.0561		CT IND:-:Pathway X	01,02,03,04,05,06,07,08	86545CT1480001	13.47%
Anthem PPO Gold Standard Pathway X 1000	86545CT1330007	On	Gold	1.2278		CT IND:-:Pathway X	01,02,03,04,05,06,07,08	86545CT1330003	14.29%
Anthem Blue Cross Blue Shield HMO Multi State Plan	86545CT1470002	On	Gold	1.1194		CT IND:-:Pathway X Enhanced	01,02,03,04,05,06,07,08	None	n/a
Anthem Blue Cross Blue Shield PPO Multi State Plan	86545CT1480002	On	Silver	0.9363		CT IND:-:Pathway X	01,02,03,04,05,06,07,08	None	n/a
Anthem HMO Catastrophic BlueCare 6600/0%	86545CT1310033	Off	Catastrophic	0.5706		CT IND:-:BlueCare	All	86545CT1310012	-3.40%
Anthem HMO BlueCare 0% for HSA	86545CT1310018	Off	Bronze	0.7972		CT IND:-:BlueCare	All	86545CT1310001	9.46%
Anthem HMO BlueCare 0% for HSA	86545CT1310019	Off	Bronze	0.7707		CT IND:-:BlueCare	All	86545CT1310002	8.88%
Anthem HMO BlueCare 5500/0%	86545CT1310020	Off	Bronze	0.8527		CT IND:-:BlueCare	All	86545CT1310003	15.99%
Anthem HMO BlueCare 6000/0%	86545CT1310024	Off	Bronze	0.8307		CT IND:-:BlueCare	All	86545CT1310010	6.96%
Anthem HMO BlueCare 0% for HSA	86545CT1310030	Off	Silver	0.9940		CT IND:-:BlueCare	All	86545CT1310005	11.46%
Anthem HMO BlueCare 3000/0%	86545CT1310031	Off	Silver	1.0858		CT IND:-:BlueCare	All	86545CT1310006	16.56%
Anthem HMO BlueCare 1500/0%	86545CT1310032	Off	Gold	1.2814		CT IND:-:BlueCare	All	86545CT1310011	15.22%
Anthem PPO Century Preferred 20% for HSA	86545CT1340005	Off	Bronze	0.6969		CT IND:-:Century Preferred	01,02,03,04,05,06,07,08	None	n/a
Anthem HMO BlueCare 3500/0%	86545CT1340008	Off	Silver	1.0052		CT IND:-:BlueCare	All	86545CT1310007	10.66%
Anthem PPO Century Preferred 2750/20%	86545CT1340006	Off	Silver	0.9901		CT IND:-:Century Preferred	01,02,03,04,05,06,07,08	None	n/a
Anthem PPO Century Preferred 2500/20%	86545CT1340007	Off	Silver	1.0143		CT IND:-:Century Preferred	01,02,03,04,05,06,07,08	None	n/a
Anthem HMO Pathway X Enhanced \$1850/0%	86545CT1340009	Off	Gold	1.1194		CT IND:-:Pathway X Enhanced	01,02,03,04,05,06,07,08	None	n/a

**NOTES:**

Benefit Plan Factors above reflect plan by plan differences from the index rate for allowable adjustments as described in detail in the Market Reform and Payment Parameters Regulations and illustrated in Exhibit O. The weighted average of these adjustments for the entire risk pool included in this rate filing is detailed in Exhibit H.

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

## Exhibit J - Age and Tobacco Factors

Anthem Health Plans, Inc.  
Individual

Rates Effective January 1, 2015

Age	Age Rating Factor	Tobacco Rating Factor
0-17	0.635	1.000
18	0.635	1.000
19	0.635	1.000
20	0.635	1.000
21	1.000	1.000
22	1.000	1.000
23	1.000	1.000
24	1.000	1.000
25	1.004	1.000
26	1.024	1.000
27	1.048	1.000
28	1.087	1.000
29	1.119	1.000
30	1.135	1.000
31	1.159	1.000
32	1.183	1.000
33	1.198	1.000
34	1.214	1.000
35	1.222	1.000
36	1.230	1.000
37	1.238	1.000
38	1.246	1.000
39	1.262	1.000
40	1.278	1.000
41	1.302	1.000
42	1.325	1.000
43	1.357	1.000
44	1.397	1.000
45	1.444	1.000
46	1.500	1.000
47	1.563	1.000
48	1.635	1.000
49	1.706	1.000
50	1.786	1.000
51	1.865	1.000
52	1.952	1.000
53	2.040	1.000
54	2.135	1.000
55	2.230	1.000
56	2.333	1.000
57	2.437	1.000
58	2.548	1.000
59	2.603	1.000
60	2.714	1.000
61	2.810	1.000
62	2.873	1.000
63	2.952	1.000
64+	3.000	1.000

**NOTES:**

{1} The weighted averages of these factors for the entire risk pool included in this rate filing is detailed in Exhibit H.

## Exhibit K - Area Factors

### Anthem Health Plans, Inc. Individual

Rates Effective January 1, 2015

Rating Area Description	Area Rating Factor
Fairfield	1.10
Hartford	0.87
Litchfield	0.87
Middlesex	0.95
New Haven	0.95
New London	0.87
Tolland	0.87
Windham	0.87
Out of Area	1.00

**NOTES:**

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

## Exhibit L - Sample Rate Calculation

**Anthem Health Plans, Inc.  
Individual**

**Rates Effective January 1, 2015**

**Name:** John Doe  
**Effective Date:** 1/1/2015  
**On/Off Exchange:** Off  
**Metal Level:** Silver  
**Plan ID:** 86545CT1340008  
**Rating Area:** 01

**Family Members Covered:**

	<u>Age</u>
Subscriber	47
Spouse	42
Child (age 21+)	25
Child 11	20
Child 12	16

**Calculation of Monthly Premium:**

Base Rate =	\$ 321.00	Exhibit A
x Benefit Plan Factor	1.0052	Exhibit I
<u>x Area Factor</u>	<u>1.1000</u>	Exhibit K
Base Rate Adjusted for Plan/Area =	\$ 354.94	

**Age Factors:**

Exhibit J

	<u>Age Factor</u>
Subscriber	1.563
Spouse	1.325
Child (age 21+)	1.004
Child 11	0.635
Child 12	0.635

**Final Monthly Premium PMPM:**

	<u>PMPM</u>
Subscriber	\$ 554.77
Spouse	\$ 470.30
Child (age 21+)	\$ 356.36
Child 11	\$ 225.39
Child 12	\$ 225.39
<b>TOTAL</b>	<b>\$ 1,832.21</b>

**NOTES:**

{1} 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.

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

## Exhibit M - Federal MLR Estimated Calculation

### Anthem Health Plans, Inc. Individual

Rates Effective January 1, 2015

**Numerator:**

Incurred Claims	\$	441.05	Exhibit A
+ Quality Improvement Expense	\$	3.48	Exhibit G
+ Risk Corridor Contributions	\$	-	
+ Risk Adjustment Net Transfer	\$	-	Exhibit F
+ Reinsurance Receipts	\$	(36.35)	Exhibit F
+ Risk Corridor Receipts	\$	-	
+ Reduction to Rx Incurred Claims (ACA MLR)	\$	(8.64)	{5}
<b>= Estimated Federal MLR Numerator</b>	<b>\$</b>	<b>399.54</b>	

**Denominator:**

Premiums	\$	515.11	Exhibit A
- Federal and State Taxes	\$	9.01	Exhibit A (Line 13) x Exhibit G (Income Taxes)
- Premium Taxes	\$	9.01	Exhibit A (Line 13) x Exhibit G (Premium Tax)
- Risk Adjustment User Fee	\$	0.08	Exhibit F
- Reinsurance Contributions	\$	3.67	Exhibit F
- Licensing and Regulatory Fees	\$	25.06	Exhibit A (Line 13) x Exhibit G (Fees)
<b>= Estimated Federal MLR Denominator</b>	<b>\$</b>	<b>468.28</b>	

**Estimated Federal MLR** **85.32%**

**NOTES:**

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

- {1} The above calculation represents only the products in this filing. Federal MLR will be calculated at the legal entity and market level.
- {2} Not all numerator/denominator components are captured above (for example, fraud and prevention program costs, payroll taxes, assessments for state high risk pools etc.).
- {3} 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.
- {4} Licensing and Regulatory Fees include ACA-related fees as allowed under the MLR Final Rule.

## Exhibit N - Market Adjusted Index Rate Development

### Anthem Health Plans, Inc. Individual

Rates Effective January 1, 2015

1) Projected Paid Claim Cost	\$	445.20	Exhibit A, Line Item 8
2) <u>- Non-EHBs Embedded in Line Item 1) Above</u>	\$	-	
3) = Projected Paid Claims, Excluding ALL Non-EHBs	\$	445.20	
4) + Rx Rebates	\$	(7.60)	Exhibit D
5) <u>+ Additional EHBs {1}</u>	\$	3.45	Exhibit D
6) = Projected Paid Claims Reflecting only EHBs	\$	441.05	
7) <u>÷ Paid to Allowed Ratio</u>		0.7738	
8) = Projected Allowed Claims Reflecting only EHBs	\$	<b>569.98</b>	<b>= Index Rate</b>
9) Reinsurance Contribution	\$	3.67	Exhibit F
10) Expected Reinsurance Payments	\$	(36.35)	Exhibit F
11) Risk Adjustment Fee	\$	0.08	Exhibit F
12) Risk Adjustment Net Transfer	\$	-	Exhibit F
13) <u>Exchange Fee</u>	\$	6.95	
14) <b>Market Adjusted Index Rate</b>	\$	<b>536.84</b>	<b>= [(6) + (9) + (10) + (11) + (12) + (13)] ÷ (7)</b>

NOTE:

{1} Pediatric Dental and Pediatric Vision

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

**Exhibit O - Plan Adjusted Index Rate and Consumer Adjusted Premium Rates**

**Anthem Health Plans, Inc.  
Individual**

Rates Effective January 1, 2015

HIOS Plan Name	HIOS Plan ID	Market Adjusted Index Rate (Exhibit N)	Cost Sharing Adjustment	Provider Network Adjustment	Adjustment for Benefits in Addition to the EH&S	Catastrophic Plan Adjustment (1)	Administrative Costs	Plan Adjusted Index Rate (2)	Calibration Factor (3)	Consumer Adjusted Premium Rate (4)
Anthem HMO Catastrophic Pathway X Enhanced 6600/0%	86545CT1230009	\$536.84	0.5635	0.9525	1.0000	0.7561	\$53.48	\$271.34	1.6047	\$169.09
Anthem HMO Bronze Pathway X Enhanced 0% for HSA	86545CT1230006	\$536.84	0.5669	0.9525	1.0000	1.0039	\$71.21	\$362.21	1.6047	\$225.72
Anthem HMO Bronze Pathway X Enhanced 5750/0%	86545CT1230007	\$536.84	0.6480	0.9525	1.0000	1.0039	\$81.32	\$413.97	1.6047	\$257.98
Anthem HMO Gold Pathway X Enhanced 1500/0%	86545CT1230008	\$536.84	0.9542	0.9525	1.0000	1.0039	\$119.49	\$609.31	1.6047	\$379.70
Anthem PPO Bronze Standard Pathway X 5000/40%	86545CT1330006	\$536.84	0.5914	0.9925	1.0000	1.0039	\$77.57	\$393.94	1.6047	\$245.49
Anthem PPO Bronze Standard Pathway X 0% for HSA	86545CT1330009	\$536.84	0.5699	0.9925	1.0000	1.0039	\$74.90	\$379.75	1.6047	\$236.65
Anthem PPO Silver Standard Pathway X 2600	86545CT1330005	\$536.84	0.8157	0.9925	1.0000	1.0039	\$106.66	\$542.98	1.6047	\$338.37
Anthem PPO Silver Pathway X 3200/0%	86545CT1330008	\$536.84	0.8175	0.9925	1.0000	1.0039	\$106.71	\$544.00	1.6047	\$339.00
Anthem PPO Gold Standard Pathway X 1000	86545CT1330007	\$536.84	0.9501	0.9925	1.0000	1.0039	\$124.21	\$632.44	1.6047	\$394.12
Anthem Blue Cross Blue Shield HMO Multi State Plan	86545CT1470002	\$536.84	0.9029	0.9525	1.0000	1.0039	\$113.11	\$576.63	1.6047	\$359.34
Anthem Blue Cross Blue Shield PPO Multi State Plan	86545CT1480002	\$536.84	0.7246	0.9925	1.0000	1.0039	\$94.68	\$482.30	1.6047	\$300.55
Anthem HMO Catastrophic BlueCare 6600/0%	86545CT1310033	\$536.84	0.5635	1.0320	1.0000	0.7561	\$57.88	\$293.92	1.6047	\$183.16
Anthem HMO BlueCare 0% for HSA	86545CT1310018	\$536.84	0.5933	1.0320	1.0000	1.0039	\$80.67	\$410.66	1.6047	\$255.91
Anthem HMO BlueCare 0% for HSA	86545CT1310019	\$536.84	0.5736	1.0320	1.0000	1.0039	\$78.01	\$397.01	1.6047	\$247.41
Anthem HMO BlueCare 5500/0%	86545CT1310020	\$536.84	0.6347	1.0320	1.0000	1.0039	\$86.24	\$439.22	1.6047	\$273.71
Anthem HMO BlueCare 6000/0%	86545CT1310024	\$536.84	0.6183	1.0320	1.0000	1.0039	\$84.03	\$427.89	1.6047	\$266.65
Anthem HMO BlueCare 0% for HSA	86545CT1310030	\$536.84	0.7399	1.0320	1.0000	1.0039	\$100.48	\$512.00	1.6047	\$319.06
Anthem HMO BlueCare 3000/0%	86545CT1310031	\$536.84	0.8084	1.0320	1.0000	1.0039	\$109.71	\$559.32	1.6047	\$348.55
Anthem HMO BlueCare 1500/0%	86545CT1310032	\$536.84	0.9542	1.0320	1.0000	1.0039	\$129.40	\$660.08	1.6047	\$411.34
Anthem PPO Century Preferred 20% for HSA	86545CT1340005	\$536.84	0.4977	1.0753	1.0000	1.0039	\$70.59	\$359.00	1.6047	\$223.72
Anthem HMO BlueCare 3500/0%	86545CT1340008	\$536.84	0.7483	1.0320	1.0000	1.0039	\$101.60	\$517.79	1.6047	\$322.67
Anthem PPO Century Preferred 2750/20%	86545CT1340006	\$536.84	0.7073	1.0753	1.0000	1.0039	\$100.08	\$510.00	1.6047	\$317.82
Anthem PPO Century Preferred 2500/20%	86545CT1340007	\$536.84	0.7246	1.0753	1.0000	1.0039	\$102.52	\$522.47	1.6047	\$325.59
Anthem HMO Pathway X Enhanced \$1850/0%	86545CT1340009	\$536.84	0.9029	0.9525	1.0000	1.0039	\$113.11	\$576.63	1.6047	\$359.34

**Notes:**

(1) This adjustment assumes a healthier than average population will select the catastrophic plan. The catastrophic adjustment factor is normalized to 1.0 across all plans for revenue neutrality across the entire block.

(2) The Plan Adjusted Index Rate is calculated by multiplying the Market Adjusted Index Rate by the AV and cost sharing, provider network, benefits in addition to the EH&S, 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.

(3) See Exhibit H - Calibration.

(4) The Consumer Adjusted Premium Rate is calculated by dividing the Plan Adjusted Index Rate by 'Calibration Factor'. The Consumer Adjusted Premium Rate can also be described as a Plan Level Base Rate.

## Exhibit P - Membership Projections for Cost-Sharing Reductions

Anthem Health Plans, Inc.  
Individual

Rates Effective January 1, 2015

<b>Silver Plan</b>	<b>Projected Membership by Subsidy Level:</b>			
	<b><u>100-150%</u></b>	<b><u>150-200%</u></b>	<b><u>200%-250%</u></b>	<b><u>Standard</u></b>
<b><u>HIOS Standard Component Plan ID</u></b>				
86545CT1330005	2,211	2,187	1,332	6,697
86545CT1330008	1,474	1,458	888	4,464
86545CT1480002	0	0	0	1
86545CT1310030	0	0	0	8,047
86545CT1310031	0	0	0	812
86545CT1340008	0	0	0	877
86545CT1340006	0	0	0	1
86545CT1340007	0	0	0	1

## Exhibit Q - Trend Exhibit

### Rating Trend

Based on the considerations below, Anthem proposes a 8.4% trend prior to Buy-downs. The rating trend is developed from the expected paid trend. Anthem has changed our trend development methodology and is now developing projected trends based on paid claims.

### Observed Paid Trends

Observed trends have been normalized to remove the impact of aging and morbidity, shifts in gender, medical initiatives and mandates, and impact of medical benefit changes.

### Benefit Buy Downs

Cost and utilization data in the experience periods includes the impact of benefit buy-downs. The projected trends for 2014 and 2015 are adjusted to show the projected trends after benefit buy-downs are applied.

### Hepatitis C

A key driver to the trend increase for 2014 and 2015 is Sovaldi, a new drug for the treatment of people with Hepatitis C. It will impact few members but at an extremely high cost. The trend projection includes an increase of 54 basis points for the 2014 trend and 123 basis points for the 2015 trend.

### Provider Contracting

Provider contracting is included in the Unit Cost Data.

### Leveraging

The use of Paid Claims removes the need to adjust for Leveraging.

### Other Trend Components

Medical technology trend is included in observed experience and not an independent assumption.

### Small Group: Historical Cost and Utilization Paid Data {1}

	Inpatient	Outpatient	Professional	Rx Drug	Total
<b>Unit Cost Data</b>					
CY 2010	\$3,229.39	\$587.61	\$149.43	\$73.00	
CY 2011	\$3,369.11	\$655.43	\$154.82	\$80.64	
CY 2012	\$3,559.74	\$731.71	\$154.78	\$86.48	
CY 2013	\$3,734.39	\$808.52	\$157.44	\$93.02	
CY 2014	\$3,913.48	\$875.16	\$162.04	\$107.10	
CY 2015	\$4,095.37	\$944.05	\$167.32	\$127.81	
<b>Utilization Data (per thousand members)</b>					
CY 2010	24.9	135.0	891.7	1,037.1	2,088.7
CY 2011	23.5	136.5	875.9	1,063.3	2,099.2
CY 2012	23.5	136.8	881.6	1,063.9	2,105.7
CY 2013	23.2	138.9	892.5	1,089.9	2,144.5
CY 2014	23.1	139.2	894.6	1,108.1	2,165.1
CY 2015	23.1	139.4	895.1	1,126.7	2,184.3
<b>Paid PMPM</b>					
CY 2010	\$80.28	\$79.34	\$133.25	\$75.70	\$368.58
CY 2011	\$79.02	\$89.49	\$135.61	\$85.75	\$389.87
CY 2012	\$83.79	\$100.07	\$136.45	\$92.01	\$412.32
CY 2013	\$86.60	\$112.31	\$140.51	\$101.38	\$440.81
CY 2014	\$90.50	\$121.86	\$144.96	\$118.68	\$475.99
CY 2015	\$94.57	\$131.61	\$149.77	\$144.01	\$519.95
<b>Paid Trend</b>					
2011/2010	-1.6%	12.8%	1.8%	13.3%	5.8%
2012/2011	6.0%	11.8%	0.6%	7.3%	5.8%
2013/2012	3.4%	12.2%	3.0%	10.2%	6.9%
2014/2013	4.5%	8.5%	3.2%	17.1%	8.0%
2015/2014	4.5%	8.0%	3.3%	21.3%	9.2%

#### NOTE:

{1}: This exhibit shows Small Group trend data because Small Group data was used for the experience period. The historical cost and utilization data in the 2014 rate filing was on an allowed basis. Due to changes in WellPoint's trend analysis process, this year's historical cost and utilization data is on a paid basis.

Exhibit R - Claim Lag Triangle

Anthem Blue Cross and Blue Shield  
Small Group Claims Paid Through 3/31/2014

Insured	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25*
201001	18,277,405	12,868,224	2,805,837	777,051	313,006	154,820	32,751	63,094	24,824	24,187	45,142	10,711	10,224	4,854	18,877	9,233	3,898	3,122	-1,510	-2,851	721	13,979	-2,513	1,220	3,140
201002	10,862,078	12,005,500	1,996,099	1,149,027	450,190	562,020	368,756	134,086	109,094	109,094	16,024	-1,714	60,515	0,860	3,043	2,743	4,415	-518	8,482	-27,870	-15,330	-3,101	1,172	-62,241	10,600
201003	20,825,755	14,102,921	1,571,339	2,275,384	668,613	364,543	82,951	69,294	-40,980	-1,842	3,078	-3,585	-22,088	155,882	3,063	-7,480	-12,781	6,728	7,847	7,847	-2,247	334	-4,287	-1,980	207,100
201004	10,717,435	12,722,221	1,915,550	919,033	272,022	86,500	50,842	44,238	74,145	12,819	85,202	27,608	21,388	24,149	0,160	0,003	-9,025	6,706	4,810	2,220	-1,078	2,054	-474	-1,881	3,060
201005	18,100,144	13,246,921	1,886,241	857,366	601,258	264,023	122,903	77,521	20,250	3,175	19,213	6,801	27,608	24,149	26,607	213	273	-737	2,006	618	-5,175	1,548	633	460	6,367
201006	10,696,753	13,252,911	1,880,546	808,561	565,620	134,914	79,298	89,825	20,169	-1,132	-1,132	79,197	25,830	4,830	43,107	5,882	13,060	21,558	2,223	2,411	-27,188	475	1,540	2,666	204
201007	17,307,642	12,772,708	1,661,423	853,034	291,004	129,462	113,366	87,510	80,646	1,800	7,684	17,725	14,736	15,242	2,180	5,680	3,764	1,887	-2,377	3,864	-1,280	370	391	-5,278	21,544
201008	17,231,854	13,205,008	1,406,680	891,346	339,223	115,306	152,760	131,974	14,377	25,965	30,965	2,865	13,684	6,326	6,326	40,190	40,190	-20,845	-2,249	1,870	-347	-15,960	3,013	-1,590	220,883
201009	17,231,854	13,205,008	1,406,680	891,346	339,223	115,306	152,760	131,974	14,377	25,965	30,965	2,865	13,684	6,326	6,326	40,190	40,190	-20,845	-2,249	1,870	-347	-15,960	3,013	-1,590	220,883
201010	18,844,286	14,062,418	1,571,339	2,275,384	668,613	364,543	82,951	69,294	-40,980	-1,842	3,078	-3,585	-22,088	155,882	3,063	-7,480	-12,781	6,728	7,847	7,847	-2,247	334	-4,287	-1,980	207,100
201011	18,844,286	14,062,418	1,571,339	2,275,384	668,613	364,543	82,951	69,294	-40,980	-1,842	3,078	-3,585	-22,088	155,882	3,063	-7,480	-12,781	6,728	7,847	7,847	-2,247	334	-4,287	-1,980	207,100
201012	18,844,286	14,062,418	1,571,339	2,275,384	668,613	364,543	82,951	69,294	-40,980	-1,842	3,078	-3,585	-22,088	155,882	3,063	-7,480	-12,781	6,728	7,847	7,847	-2,247	334	-4,287	-1,980	207,100
201013	18,844,286	14,062,418	1,571,339	2,275,384	668,613	364,543	82,951	69,294	-40,980	-1,842	3,078	-3,585	-22,088	155,882	3,063	-7,480	-12,781	6,728	7,847	7,847	-2,247	334	-4,287	-1,980	207,100
201014	18,844,286	14,062,418	1,571,339	2,275,384	668,613	364,543	82,951	69,294	-40,980	-1,842	3,078	-3,585	-22,088	155,882	3,063	-7,480	-12,781	6,728	7,847	7,847	-2,247	334	-4,287	-1,980	207,100
201015	18,844,286	14,062,418	1,571,339	2,275,384	668,613	364,543	82,951	69,294	-40,980	-1,842	3,078	-3,585	-22,088	155,882	3,063	-7,480	-12,781	6,728	7,847	7,847	-2,247	334	-4,287	-1,980	207,100
201016	18,844,286	14,062,418	1,571,339	2,275,384	668,613	364,543	82,951	69,294	-40,980	-1,842	3,078	-3,585	-22,088	155,882	3,063	-7,480	-12,781	6,728	7,847	7,847	-2,247	334	-4,287	-1,980	207,100
201017	18,844,286	14,062,418	1,571,339	2,275,384	668,613	364,543	82,951	69,294	-40,980	-1,842	3,078	-3,585	-22,088	155,882	3,063	-7,480	-12,781	6,728	7,847	7,847	-2,247	334	-4,287	-1,980	207,100
201018	18,844,286	14,062,418	1,571,339	2,275,384	668,613	364,543	82,951	69,294	-40,980	-1,842	3,078	-3,585	-22,088	155,882	3,063	-7,480	-12,781	6,728	7,847	7,847	-2,247	334	-4,287	-1,980	207,100
201019	18,844,286	14,062,418	1,571,339	2,275,384	668,613	364,543	82,951	69,294	-40,980	-1,842	3,078	-3,585	-22,088	155,882	3,063	-7,480	-12,781	6,728	7,847	7,847	-2,247	334	-4,287	-1,980	207,100
201020	18,844,286	14,062,418	1,571,339	2,275,384	668,613	364,543	82,951	69,294	-40,980	-1,842	3,078	-3,585	-22,088	155,882	3,063	-7,480	-12,781	6,728	7,847	7,847	-2,247	334	-4,287	-1,980	207,100
201021	18,844,286	14,062,418	1,571,339	2,275,384	668,613	364,543	82,951	69,294	-40,980	-1,842	3,078	-3,585	-22,088	155,882	3,063	-7,480	-12,781	6,728	7,847	7,847	-2,247	334	-4,287	-1,980	207,100
201022	18,844,286	14,062,418	1,571,339	2,275,384	668,613	364,543	82,951	69,294	-40,980	-1,842	3,078	-3,585	-22,088	155,882	3,063	-7,480	-12,781	6,728	7,847	7,847	-2,247	334	-4,287	-1,980	207,100
201023	18,844,286	14,062,418	1,571,339	2,275,384	668,613	364,543	82,951	69,294	-40,980	-1,842	3,078	-3,585	-22,088	155,882	3,063	-7,480	-12,781	6,728	7,847	7,847	-2,247	334	-4,287	-1,980	207,100
201024	18,844,286	14,062,418	1,571,339	2,275,384	668,613	364,543	82,951	69,294	-40,980	-1,842	3,078	-3,585	-22,088	155,882	3,063	-7,480	-12,781	6,728	7,847	7,847	-2,247	334	-4,287	-1,980	207,100
201025	18,844,286	14,062,418	1,571,339	2,275,384	668,613	364,543	82,951	69,294	-40,980	-1,842	3,078	-3,585	-22,088	155,882	3,063	-7,480	-12,781	6,728	7,847	7,847	-2,247	334	-4,287	-1,980	207,100
201026	18,844,286	14,062,418	1,571,339	2,275,384	668,613	364,543	82,951	69,294	-40,980	-1,842	3,078	-3,585	-22,088	155,882	3,063	-7,480	-12,781	6,728	7,847	7,847	-2,247	334	-4,287	-1,980	207,100
201027	18,844,286	14,062,418	1,571,339	2,275,384	668,613	364,543	82,951	69,294	-40,980	-1,842	3,078	-3,585	-22,088	155,882	3,063	-7,480	-12,781	6,728	7,847	7,847	-2,247	334	-4,287	-1,980	207,100
201028	18,844,286	14,062,418	1,571,339	2,275,384	668,613	364,543	82,951	69,294	-40,980	-1,842	3,078	-3,585	-22,088	155,882	3,063	-7,480	-12,781	6,728	7,847	7,847	-2,247	334	-4,287	-1,980	207,100
201029	18,844,286	14,062,418	1,571,339	2,275,384	668,613	364,543	82,951	69,294	-40,980	-1,842	3,078	-3,585	-22,088	155,882	3,063	-7,480	-12,781	6,728	7,847	7,847	-2,247	334	-4,287	-1,980	207,100
201030	18,844,286	14,062,418	1,571,339	2,275,384	668,613	364,543	82,951	69,294	-40,980	-1,842	3,078	-3,585	-22,088	155,882	3,063	-7,480	-12,781	6,728	7,847	7,847	-2,247	334	-4,287	-1,980	207,100
201031	18,844,286	14,062,418	1,571,339	2,275,384	668,613	364,543	82,951	69,294	-40,980	-1,842	3,078	-3,585	-22,088	155,882	3,063	-7,480	-12,781	6,728	7,847	7,847	-2,247	334	-4,287	-1,980	207,100
201032	18,844,286	14,062,418	1,571,339	2,275,384	668,613	364,543	82,951	69,294	-40,980	-1,842	3,078	-3,585	-22,088	155,882	3,063	-7,480	-12,781	6,728	7,847	7,847	-2,247	334	-4,287	-1,980	207,100
201033	18,844,286	14,062,418	1,571,339	2,275,384	668,613	364,543	82,951	69,294	-40,980	-1,842	3,078	-3,585	-22,088	155,882	3,063	-7,480	-12,781	6,728	7,847	7,847	-2,247	334	-4,287	-1,980	207,100
201034	18,844,286	14,062,418	1,571,339	2,275,384	668,613	364,543	82,951	69,294	-40,980	-1,842	3,078	-3,585	-22,088	155,882	3,063	-7,480	-12,781	6,728	7,847	7,847	-2,247	334	-4,287	-1,980	207,100
201035	18,844,286	14,062,418	1,571,339	2,275,384	668,613	364,543	82,951	69,294	-40,980	-1,842	3,078	-3,585	-22,088	155,882	3,063	-7,480	-12,781	6,728	7,847	7,847	-2,247	334	-4,287	-1,980	207,100
201036	18,844,286	14,062,418	1,571,339	2,275,384	668,613	364,543	82,951	69,294	-40,980	-1,842	3,078	-3,585	-22,088	155,882	3,063	-7,480	-12,781	6,728	7,847	7,847	-2,247	334	-4,287	-1,980	207,100
201037	18,844,286	14,062,418	1,571,339	2,275,384	668,613	364,543	82,951	69,294	-40,980	-1,842	3,078	-3,585	-22,088	155,882	3,063	-7,480	-12,781	6,728	7,847	7,847	-2,247	334	-4,287	-1,980	207,100
201038	18,844,286	14,062,418	1,571,339	2,275,384	668,613																				

**Exhibit S - Historical Experience**

ANTHEM BLUE CROSS AND BLUE SHIELD								
INDIVIDUAL HEALTH PLANS								
Historical Experience								
Month	Premium	Incurred Claims	Other Claims {1}	Total Benefit Expense	Members	Rolling 12		
						Premium	Total Benefit Expense	Member Months
201001	17,833,787	10,144,550	71,289	10,215,839	55,809			
201002	17,555,697	10,650,457	77,224	10,727,681	55,560			
201003	17,370,761	12,415,017	81,762	12,496,779	55,428			
201004	17,240,501	12,603,146	79,614	12,682,760	55,475			
201005	17,162,346	12,090,903	73,612	12,164,515	55,580			
201006	17,011,873	13,161,330	75,191	13,236,521	55,790			
201007	16,991,681	12,392,466	71,233	12,463,698	55,957			
201008	16,948,105	12,491,668	67,639	12,559,306	56,176			
201009	16,883,834	13,117,188	66,186	13,183,374	56,622			
201010	16,814,790	13,879,147	75,218	13,954,365	56,035			
201011	16,631,423	14,822,414	83,601	14,906,015	55,606			
201012	16,478,367	15,829,822	81,693	15,911,515	55,258	204,923,166	154,502,368	669,297
201101	17,036,651	10,442,071	63,555	10,505,626	54,198	204,126,031	154,792,155	667,686
201102	16,809,082	10,159,505	74,705	10,234,210	53,821	203,379,415	154,298,684	665,947
201103	16,695,125	12,633,180	78,177	12,711,357	53,584	202,703,779	154,513,262	664,104
201104	16,583,979	12,588,740	73,079	12,661,819	53,557	202,047,257	154,492,321	662,185
201105	16,481,894	12,550,832	71,446	12,622,278	53,476	201,366,805	154,950,083	660,080
201106	16,374,334	13,458,517	56,715	13,515,232	53,492	200,729,266	155,228,794	657,782
201107	16,375,342	12,575,360	66,767	12,642,127	53,431	200,112,927	155,407,222	655,256
201108	16,282,173	14,834,262	74,177	14,908,439	53,404	199,446,995	157,756,355	652,483
201109	16,139,002	15,304,076	72,584	15,376,660	52,980	198,702,163	159,949,640	648,842
201110	16,026,907	17,412,279	78,085	17,490,365	52,656	197,914,281	163,485,640	645,462
201111	15,883,259	16,773,404	67,980	16,841,384	52,401	197,166,117	165,421,010	642,257
201112	15,683,902	18,318,754	63,641	18,382,396	52,234	196,371,652	167,891,891	639,233
201201	16,320,612	11,789,255	75,385	11,864,640	51,632	195,655,613	169,250,905	636,667
201202	16,134,173	11,661,910	92,947	11,754,857	51,351	194,980,703	170,771,552	634,197
201203	16,022,406	13,420,592	106,253	13,526,845	51,450	194,307,985	171,587,040	632,063
201204	15,922,348	13,474,734	125,692	13,600,426	51,308	193,646,354	172,525,647	629,814
201205	15,869,136	14,543,960	93,408	14,637,367	51,439	193,033,596	174,540,737	627,777
201206	15,798,355	14,257,191	(207,321)	14,049,870	51,451	192,457,617	175,075,375	625,736
201207	15,725,648	14,726,556	2,541	14,729,096	51,387	191,807,923	177,162,345	623,692
201208	15,630,769	14,857,323	118,667	14,975,990	51,289	191,156,518	177,229,896	621,577
201209	15,529,549	13,525,776	89,667	13,615,443	51,123	190,547,064	175,468,679	619,720
201210	15,458,204	16,101,334	96,068	16,197,403	50,944	189,978,362	174,175,717	618,008
201211	15,405,976	16,729,119	142,729	16,871,848	50,824	189,501,078	174,206,180	616,432
201212	15,153,037	18,851,872	155,539	19,007,411	50,610	188,970,212	174,831,196	614,808
201301	16,633,648	11,279,076	74,862	11,353,938	49,117	189,283,248	174,320,494	612,294
201302	16,405,680	12,068,545	165,910	12,234,455	48,577	189,554,755	174,800,092	609,520
201303	16,203,598	12,275,278	142,736	12,418,014	48,210	189,735,947	173,691,261	606,279
201304	16,104,259	13,410,829	136,242	13,547,072	47,947	189,917,857	173,637,907	602,918
201305	15,972,399	14,180,002	138,475	14,318,478	47,643	190,021,120	173,319,017	599,122
201306	15,857,690	13,512,317	172,817	13,685,133	47,432	190,080,455	172,954,281	595,102
201307	15,735,346	14,538,752	198,308	14,737,060	47,038	190,090,153	172,962,244	590,754
201308	15,581,679	14,547,633	146,693	14,694,326	46,691	190,041,064	172,680,580	586,155
201309	15,419,307	13,799,152	175,777	13,974,929	46,149	189,930,821	173,040,066	581,181
201310	15,153,477	16,073,195	209,356	16,282,551	45,451	189,626,093	173,125,215	575,688
201311	14,705,164	15,409,648	119,703	15,529,351	44,433	188,925,282	171,782,717	569,297
201312	13,686,635	17,622,665	101,483	17,724,148	42,974	187,458,880	170,499,455	561,661

Notes:

{1} Other claims include capitation, drug rebates, medical management fees, claims expense reclasses, and other non-core claim accounts.



# ACTUARIAL MEMORANDUM

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## 1. General Information

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- Company Identifying Information

Company Legal Name:	Anthem Health Plans, Inc.
State:	Connecticut
HIOS Issuer ID:	86545
NAIC Company Code:	60217
Market:	Individual
Effective Date:	January 1, 2015

- Company Contact Information

Primary Contact Name:	John Bryson
Primary Contact Telephone Number:	(203) 677-8026
Primary Contact Email Address:	John.Bryson@anthem.com

## 2. Scope and Purpose of the Filing

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To the best of Anthem's knowledge and current understanding, this filing complies with the most recent regulations and related guidance. To the extent relevant rules or guidance on the rules are updated or changed, amendments to this filing may be required.

The purpose of this rate filing is to establish rates that are reasonable relative to the benefits provided and to demonstrate compliance with state laws and provisions of the Affordable Care Act (ACA). The rates will be in-force for effective dates on or after January 1, 2015. These rates will apply to plans offered both On-Exchange and Off-Exchange. This rate filing is not intended to be used for other purposes.

Policy Form Number(s):

HIX\_CT\_HMO\_HSA\_(1/15)  
CT\_OFF\_HIX\_HM\_HS\_(1/15)  
CT\_HIX\_PP\_HS\_(1/15)  
CT\_OFF\_HIX\_PP\_HS\_(1/15)

## 3. Introduction

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This filing includes an average rate increase of 12.5%, with range by plan between -4.8% and 17.4%. More details are provided below in Section 5: Proposed Rate Increase, and in Exhibit I: Non-Grandfathered Benefit Plan Factors and Rate Increases.

- Changes from 2014 Filings

Area factors have been adjusted to reflect most current experience. Refer to Exhibit K: Area Factors.

This filing includes new exhibits showing the Market Adjusted Index Rate, Plan Adjusted Index Rate, and Consumer Adjusted Premium Rates, as defined in the new memo instructions for 2015 filings. See Exhibit N: Market Adjusted Index Rate Development and Exhibit O: Plan Adjusted Index Rate and Consumer Adjusted Premium Rates.

#### **4. Description of How the Base Rate Is Determined**

The methodology used to develop the rates this year is consistent with the methodology that was used last year. The development of the Base Rate is detailed in Exhibit A: Base Rate Development. Further details on how the base rate is developed can be found in Section 9: Credibility Manual Rate Development, Section 12: Risk Adjustment and Reinsurance, Section 13: Non-Benefit Expenses, Profit and Risk, and Section 19: Calibration. A description of the methodology used to determine the base rate is as follows:

- Historical Individual experience is not considered representative of the future market; therefore, the manual rates are developed based on Small Group experience.
- The experience data is normalized to reflect anticipated changes in age/gender, area/network and benefit plan from the experience period to the projection period based on expected distribution of membership.
- The projected claims cost is calculated by adjusting the normalized claims for the impact of benefit changes such as population morbidity, trend factors, etc. Adjustment is not based on the health status of the member.
- The projection period is January 1, 2015 - December 31, 2015.
- Adjustments for risk adjustment and reinsurance are applied to the projected claims cost.
- Non-benefit expenses, profit, and risk are applied to the projected claims cost to determine the required projection period premium.
- The projection period premium is adjusted by the average rating factors in the projection period to determine the base rate.
- The base rate represents an average benefit plan and area for an age 21 member in Connecticut.

Premiums at the member level are determined by multiplying the base rate by the applicable factor for each of the allowable rating criteria: age, area and benefit plan. An example of this calculation is shown in Exhibit L: Sample Rate Calculation.

#### **5. Proposed Rate Increase**

The average proposed rate increase is 12.5%. Factors that affect the proposed rate increase for all plans include:

- Changes in benefit design
- Anticipated changes in the market-wide morbidity of the covered population in the projection period
- Changing trends in medical costs and utilization and other cost of care impacts
- Anticipated changes due to network contracting
- Anticipated changes in payments from and contributions to the Federal Transitional Reinsurance Program
- Changes in taxes, fees, and other non-benefit expenses

The rate increase is shown in Exhibit I: Non-Grandfathered Benefit Plan Factors and Rate Increases.

Although rates are based on the same single risk pool of experience, proposed rate increases vary by plan from -4.8% to 17.4%. Factors that affect the variation in the proposed rate increase by plan include:

- Changes in benefit design that vary by plan
- Changes in the adjustment factor for Catastrophic eligibility
- Changes in Non-Benefit Expenses that are applied on a PMPM basis
- Changes in the underlying area rating factors

Starting January 1, 2014, a single area factor will apply to all plans in each geographic rating area. Refer to Exhibit I: Non-Grandfathered Benefit Plan Factors and Rate Increases and Exhibit K: Area Factors for details.

These rate increases by plan are shown in Exhibit I: Non-Grandfathered Benefit Plan Factors and Rate Increases.

## **6. Experience Period Premium and Claims**

Experience shown in Worksheet 1, Section I of the Unified Rate Review Template is for the Connecticut Individual Single Risk Pool Non-Grandfathered Business. Consistent with last year, Anthem is assigning 0% credibility to the single risk pool experience, thus it is not used for developing manual rates. The manual rate development is fully detailed in Section 9: Credibility Manual Rate Development.

Claims experience in Worksheet 1, Section I of the Unified Rate Review Template reflects dates of service from January 1, 2013 through December 31, 2013.

### **• Paid Through Date**

Claims shown in Worksheet 1, Section I of the Unified Rate Review Template are paid through March 31, 2014.

- **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 claims paid for a particular month after one month of run out, two months, etc., for a forty-eight month view of history. Claim backlog files are reviewed on a monthly basis and are accounted for in the historical completion factor estimates.

- **Premiums (net of MLR Rebate) in Experience Period**

The estimated Non-Grandfathered gross earned premium for Connecticut Individual is \$71,797,372, where earned premium is the pro-rata share of premium owed to Anthem due to subscribers actively purchasing insurance coverage during the experience period.

The preliminary MLR Rebate estimate is \$0, which is consistent with the December 31, 2013 Anthem general ledger estimate allocated to the Non-Grandfathered portion of Individual. Note that this is an estimate and will not be final until June 1, 2014.

## **7. Benefit Categories**

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The methodology used to determine benefit categories in Worksheet 1, Section II of the Unified Rate Review Template 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, dental services and other 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.

## **8. Projection Factors**

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As previously indicated, the credibility level assigned to the experience in Worksheet 1, Section III of the Unified Rate Review Template is 0%. Consequently, factors to project experience claims are not provided as they are not applicable. However, the factors used to develop the manual rates are fully detailed in Section 9: Credibility Manual Rate Development.

## **9. Credibility Manual Rate Development**

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Consistent with last year's methodology, experience developed and projected herein is Anthem's Small Group Business based on plan liability amounts. The rate development is shown in Exhibit A: Base Rate Development.

- **Source and Appropriateness of Experience Data Used**

As mentioned in Section 4: Description of How the Base Rate Is Determined and Section 6: Experience Period Premium and Claims, historical Individual experience is not considered representative of the 2015 market environment due to ACA requirements of guarantee issue, EHB, minimum actuarial value constraints, and other mandate changes. Historical Small Group experience is more reflective of the 2015 population since Small Group business is already guarantee issue with no medical underwriting, and benefit designs are closer to the 2015 ACA requirements. Therefore, Anthem is using Small Group experience to develop manual rates.

The source data underlying the development of the manual rate consists of claims for Small Group business, incurred during the period January 1, 2013 – December 31, 2013. Completion factors are then calculated to reflect additional months of runout after December 31, 2013 and are adjusted to reflect actual experience through March 31, 2014. Anthem expects a large portion of the Grandfathered policyholders to migrate to ACA-compliant policies prior to and during the projection period.

In developing rates effective January 1, 2015, only limited 2014 experience is available. This experience is not deemed credible for purposes of rate development.

Experience is adjusted as follows:

- Claims incurred for members who live out-of-state were excluded; however, claims incurred by in-state members traveling out-of-state were included.

For more detail, see Exhibit B: Claims Experience for Manual Rate Development.

- **Adjustments Made to the Data**

The development of the projected claims is summarized in Exhibit A: Base Rate Development, items (1) - (10), and described in detail below.

The projected claims cost is calculated by multiplying the normalized claims cost by the impact of benefit changes, anticipated changes in population morbidity, and cost of care impacts. The adjustments are described below, and the factors are presented in Exhibit D: Projection Period Adjustments. In addition, the source data is normalized for changes in the provider contracts.

### **Changes in Demographics (Normalization)**

The source data was normalized to reflect anticipated changes in age/gender, area, network, and benefit plan from the experience period to the projection period. The purpose of these factors is to adjust current experience to be reflective of expected claim experience in the projection period. See Section 23: Membership Projections for additional information on membership movement. The normalization factors and their aggregate impact on the underlying experience data are detailed in Exhibit C: Normalization Factors.

- **Age/Gender:** The assumed claims cost is applied by age and gender to the experience period distribution and the projection period distribution.
- **Area/Network:** The area claims factors are developed based on an analysis of Individual allowed claims by network, mapped to the prescribed 2015 rating areas using 5-digit zip code.
- **Benefit Plan:** The experience period claims are normalized to an average 2015 plan 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.

### **Changes in Benefits**

Benefit changes include the following:

- **Preventive Rx (over the counter):** The claims are adjusted for 100% coverage of benefits for specific over the counter drugs obtained with a prescription from a physician.
- **Rx Adjustments:** The claims are adjusted for differences in the Rx formulary and the impact of moving drugs into different tiers in the projection period relative to what is reflected in the base experience data.

### **Changes in the Morbidity of the Population Insured**

Morbidity changes include the following (for Morbidity factor, see Exhibit D: Projection Period Adjustments):

- **Higher morbidity expected from individual-level purchasing decisions in 2015:** Anthem assumes that the morbidity of the smallest groups, sizes 2 – 5 members, relative to the total small group population are a reasonable approximation for the health status of the individual market. Relative morbidity by group size is based on health status determined from internal risk score data.

- Higher morbidity of the uninsured compared to the insured population: This adjustment is based on a CDC study on the health status and life styles of both currently insured and uninsured populations. This adjustment also considers the expected number of previously uninsured individuals expected to move into the Individual market in 2015.
- Pent-up demand: As previously uninsured individuals obtain insurance in 2015, Anthem expects them to have some pent-up demand for health care services. An adjustment is needed to account for this additional utilization of health care services in year one. Previously uninsured individuals are assumed to utilize more health care services due to pent-up demand. Currently insured members are assumed to have no pent-up demand for health care services in year one.

Our goal is to price to the average risk of the 2015 ACA market. Since Anthem-specific 2013 experience was used as a starting point, we adjusted this experience to be more consistent with the overall 2013 market in Connecticut. Wakely Consulting collected demographic and risk information from carriers, and calculated Anthem's relative risk to the market for 2013. We have adjusted our starting experience using the results of that survey.

#### **Trend Factors**

- The annual pricing trend used in the development of the rates is 8.4%. The trend is developed by normalizing historical benefit expense for changes in the underlying population and known cost drivers, and the result is projected forward using regression analysis. The trend includes a volatility provision in accordance with Actuarial Standards of Practice. The claims are trended 24 months from the midpoint of the experience period, which is July 1, 2013, to the midpoint of the projection period, which is July 1, 2015.
- Projected trends include the estimated cost during 2014 and 2015 of the pharmaceutical Sovaldi and other high-cost drugs for treating Hepatitis C. These cost estimates were based on claims experience for Connecticut Individual business, together with CDC recommendations and Industry and Enterprise data.

#### **Other Cost of Care Impacts**

- Induced Demand Due to Cost Share Reductions: Individuals below 250% Federal Poverty Level who enroll in silver plans On-Exchange will be eligible for cost share reductions. As a result, the base period experience is adjusted to account for the higher anticipated utilization levels.
- Adjustment to align Anthem claims experience with benchmark plans established for Connecticut.

- **Grace Period:** The base period experience is adjusted upward to account for some incidence of enrollees not paying premiums due during the first month of the 90-day grace period when the QHP is liable for paying claims. Anthem is assuming a 15% rate of premium non-payment on one-twelfth of the annual premium due for 60% of the Individual population (those eligible for Advance Payments of a Premium Tax Credit). The amount of premium at risk is only on the portion that Anthem does not receive via direct subsidy, estimated to be about 50%. These assumptions result in an upward adjustment to the base rate of 0.375% ( $0.15 \times 0.60 \times 50\% \times 1/12 = 0.00375$ ).
- **Utilization or cost-per-service change:** anticipated changes are reflected in the morbidity changes and trend.
- **Change in Medical Management:** medical management savings not already included in the claims experience and trend.

### **Other Claim Adjustments**

The adjustments described below are presented in Exhibit E: Other Claim Adjustments.

- **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.
- The cost of adding benefits for pediatric dental and vision are included.

- **Capitation Payments**

The underlying data includes capitation payments, which are combined with the base medical and pharmacy claims and projected at the same rate. No further adjustment is made to the capitation.

## **10. Credibility of Experience**

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The underlying experience data does not reasonably reflect Individual claims experience under the future market conditions. Anthem believes that Small Group experience is more representative of the future projection period. Actuarial judgment has been exercised to determine that rates will be developed giving full credibility to the data underlying the manual rate in Section 9: Credibility Manual Rate Development.

- **Resulting Credibility Level Assigned to Base Period Experience**

The credibility level assigned to the experience in Worksheet 1, Section III of the Unified Rate Review Template is 0%.

## **11. Paid to Allowed Ratio**

---

The 'Paid to Allowed Average Factor in Projection Period' shown in Worksheet 1, Section III of the Unified Rate Review Template is developed by membership-weighted essential health benefit paid claims divided by membership-weighted essential health benefit allowed claims of each plan. The projected membership by plan is shown in Worksheet 2, Section II.

## **12. Risk Adjustment and Reinsurance**

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- **Projected Risk Adjustment**

The Risk Adjustment program transfers funds from lower risk plans to higher risk plans in the Non-Grandfathered Individual and Small Group market. The HHS operated Risk Adjustment program is supported by a user fee, as shown in Exhibit F: Risk Adjustment and Reinsurance - Contributions and Payments.

Anthem is assuming the risk for the plans in this filing are no better or worse than other plans in the market, resulting in no estimated risk transfer value as shown in Exhibit F: Risk Adjustment and Reinsurance - Contributions and Payments.

- **Projected ACA Reinsurance Recoveries Net of Reinsurance Premium**

The transitional reinsurance risk mitigation program collects funds from all insurance issuers and TPAs and redistributes them to high cost claimants in the Non-Grandfathered Individual market. The reinsurance contribution is equal to the national per capita reinsurance contribution rate as shown in Exhibit F: Risk Adjustment and Reinsurance - Contributions and Payments.

The reinsurance payment is developed using projected paid claims, claim probability distribution, and reinsurance payment guidelines. The claim probability distribution observes claims between \$70K and \$250K using a claim probability distribution that reflects the anticipated claim cost distribution of the 2015 Individual market. The coinsurance rate is 50%. Expected paid claims are calculated for an assumed average On-Exchange plan design. Reinsurance payments are allocated proportionally by plan premiums to all plans in the risk pool. CMS has announced an intention to modify the reinsurance program for 2015 by adjusting the attachment point and coinsurance rate. However, we do not expect this to change our projection of the total reinsurance payment, because the total funding available for the reinsurance program is not proposed to change.

## **13. Non-Benefit Expenses, Profit and Risk**

---

Non-Benefit expenses are detailed in Exhibit G: Non-Benefit Expenses and Profit & Risk.

- **Administrative Expense**

Administrative Expense contains both acquisition costs associated with the production of new business through non-broker distribution channels (direct, telesales, etc) as well as maintenance costs associated with ongoing costs for the administration of the business. Acquisition costs are projected using historical cost per member sold amounts applied to future sales estimates. Maintenance costs are projected for 2015 based on 2013 actual expenses, with adjustments for expected changes in business operations including the elimination of underwriting offset by new expenses for risk management, regulatory compliance and premium reconciliation and balancing.

- **Miscellaneous Item**

The miscellaneous item represents the assessment from the State of Connecticut to cover the cost of the Vaccine Immunization Program which provides immunizations for all Connecticut residents.

- **Quality Improvement Expense**

The quality improvement expense represents Anthem's dedication to providing the highest standard of customer care and consistently seeking to improve health care quality, outcomes and value in a cost efficient manner.

The QI Expense assumptions are based on historical amounts related to the following initiatives: Improve Health Outcomes, Activities to Prevent Hospital Readmissions, Improve Patient Safety and Reduce Medical Errors, Wellness and Health Promotion Activities, HIT Expenses for Health Care Quality Improvements, Other Cost Containment and ICD-10.

- **Selling Expense**

Selling Expense represents broker commissions and bonuses associated with the broker distribution channel using historical and projected commission levels. Commissions will be paid both On-Exchange and Off-Exchange.

- **Taxes and Fees**

- **Patient-Centered Outcomes Research Institute (PCORI) Fee:** The PCORI fee is a federally-mandated fee designed to help fund the Patient-Centered Outcomes Research Trust Fund. For plan years ending before October 1, 2014, the fee is \$2 per member per year. Thereafter, for every plan year ending before October 1, 2019, the fee will increase by the percentage increase in National Healthcare Expenditures.
- **ACA Insurer Fee:** The health insurance industry will be assessed a permanent fee, based on market share of net premium, which is not tax deductible. The tax impact of non-deductibility is captured in this fee.
- **Exchange Fee:** The Exchange User Fee applies to Exchange business only, but the cost is spread across all Individual plans. The expected charge is estimated at 1.35% of Total Individual Premium. The resulting percentage is applied evenly to all plans in the risk pool, both On and Off Exchange.

- Premium taxes, federal income taxes and state income taxes are also included in the retention items.

- Profit

Profit is reflected on a post-tax basis as a percent that does not vary by product or plan. The profit percentage does not include any assumed risk corridor payments or receipts.

## **14. Projected Loss Ratio**

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- Projected Federal MLR

The projected Federal MLR for the products in this filing is estimated in Exhibit M: Federal MLR Estimated Calculation. Please note that this calculation is purely an estimate and not meant to be a true measure for Federal or State MLR rebate purposes. The products in this filing represent 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. Single Risk Pool**

---

As described above in Section 4: Description of How the Base Rate Is Determined, the Anthem Index Rate for Individual business in Connecticut is based on total combined claims costs for providing essential health benefits within the single risk pool of non-grandfathered Individual plans in Connecticut. The Index Rate is adjusted on a market-wide basis for the state based on the total expected market-wide payments and charges under the risk adjustment and reinsurance programs and Exchange user fees. The premium rates for all Anthem non-grandfathered plans in the Individual market use the applicable market-wide adjusted index rate, subject only to the permitted plan-level adjustments. This demonstrates that the Single Risk Pool for Anthem Individual business is established according to the requirements in 45 CFR part 156, §156.80(d).

## **16. Index Rate**

---

- Experience Period Index Rate

The index rate represents the average allowed claims PMPM of essential health benefits for Anthem's Individual Non-Grandfathered Business. The experience period index rate shown in Worksheet 1, Section I (cell G17) of the Unified Rate Review Template is \$318.00 and is the same as the experience period allowed claims (cell G16 in the same location). A comparison to the benchmark was performed, and only essential health benefits were covered during the experience period.

- **Projection Period Index Rate**

The index rate represents the average allowed claims PMPM of essential health benefits for Anthem's Individual Non-Grandfathered Business. The projection period index rate was developed as shown in Exhibit N: Market Adjusted Index Rate Development by adjusting the projected incurred claims PMPM described in Section 9: Credibility Manual Rate Development of this memorandum. No benefits in excess of the essential health benefits are included in the projection period allowed claims (cell T30 of Worksheet 1, Section II of the Unified Rate Review Template) or Exhibit N: Market Adjusted Index Rate Development's projection period index rate (also shown in cell V44 of Worksheet 1, Section III of the Unified Rate Review Template).

## **17. Market Adjusted Index Rate**

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The Market Adjusted Index rate is calculated as the Index Rate adjusted for all allowable market wide modifiers defined in the market rating rules. This development is presented in Exhibit N: Market Adjusted Index Rate Development.

## **18. Plan Adjusted Index Rate**

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The Plan Adjusted Index Rate is calculated as the Market Adjusted Index Rate adjusted for all allowable plan level modifiers defined in the market rating rules. This development is presented in Exhibit O: Plan Adjusted Index Rate and Consumer Adjusted Premium Rates.

- **Plan Level Modifiers**
  - **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. This also includes an adjustment for the average tobacco factor shown in Exhibit H: Calibration.
  - **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 EHBs:** This multiplicative factor adjusts for additional benefits that are not EHBs.
  - **Adjustments for administrative cost:** This is an additive adjustment that includes all the Selling Expense, Administration and Other Retention Items shown in Exhibit G: Non-Benefit Expenses and Profit & Risk, with the exception of the Exchange User Fee.

## **19. Calibration**

---

The required premium in the projection period is calibrated by the average rating calibration factors (Age, Area, and Plan Factor), which are used to develop the Consumer Adjusted Premium Rates. The average rating factors are shown in Exhibit H: Calibration, Exhibit O: Plan Adjusted Index Rate and Consumer Adjusted Premium Rates, and applied in line item 14 of Exhibit A: Base Rate Development.

- **Benefit Plan Factors**

The benefit plan rating factors are applied to the projection period distribution.

Benefit plan factors also consider the following adjustments, as applicable.

- **Benefit Richness Factor Adjustment:** This adjustment accounts for member behavior variations depending on the richness of the benefit design.
- **Pediatric Dental and Vision Benefits:** For plans excluding the pediatric dental benefit and pediatric vision benefit, the benefit plan factor reflects reduced benefits.
- **Non-EHBs:** For plans including benefits in addition to EHBs, the benefit plan factor reflects enhanced benefits.
- **Catastrophic Factor:** This adjustment assumes a healthier than average population will select the catastrophic plan. The catastrophic adjustment factor is normalized to 1.0 across all plans in the Single Risk Pool.
- **Provider Network:** This factor accounts for differences in contracted rates and network structure.

Refer to Exhibit I: Non-Grandfathered Benefit Plan Factors and Rate Increases.

- **Age Factors**

The HHS-required age factors are applied to the projection period distribution.

- **Area Factors**

Starting January 1, 2014, a single area factor will apply to all plans in each geographic rating area.

Area factors have been adjusted to reflect the most current experience. Refer to Exhibit K: Area Factors.

## **20. Consumer Adjusted Premium Rate**

---

The Consumer Adjusted Premium Rate is calculated as the Plan Adjusted Index Rate calibrated as described in the previous section. This development is presented in Exhibit O: Plan Adjusted Index Rate and Consumer Adjusted Premium Rates. The calibration is shown in Exhibit H: Calibration.

## **21. Actuarial Value Metal Values**

---

The Actuarial Value (AV) Metal Values included in Worksheet 2 of the Unified Rate Review Template 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. 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.

## **22. Actuarial Value Pricing Values**

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The AV Pricing Values for each Product ID are in Worksheet 2, Section I of the Unified Rate Review Template. The fixed reference plan selected as the basis for the AV Pricing Value calculations is '86545CT1340008'. Consistent with final Market rules, utilization adjustments are made to account for member behavior variations based upon cost-share variations of the benefit design and not the health status of the member. The average allowable modifiers to the Index Rate can be found in Exhibit O: Plan Adjusted Index Rate and Consumer Adjusted Premium Rates.

## **23. Membership Projections**

---

Membership projections in Worksheet 2 of the Unified Rate Review Template are developed using a population movement model plus adjustments for sales expectations. This model projects the membership in the projection period by taking into account:

- Uninsured to Individual as a result of guaranteed issue, subsidized coverage, and individual mandate
- Small Group to Individual as a result of guaranteed issue and rate disruptions due to the transition to Modified Community Rating
- High Risk Pools to Individual as a result of guaranteed issue
- Individual and Uninsured to Medicaid as a result of expanded Medicaid eligibility

The plan distribution is based on assumed metal tier and network distributions. Some 2014 preliminary enrollment information has been considered in projecting membership distributions.

The resulting differences in morbidity between the Small Group experience used as the starting point for the manual rate and the expected 2015 Individual market population are reflected in Exhibit D: Projection Period Adjustments, and the impact of differences in distribution by age, benefit plan, and area are reflected in Exhibit C: Normalization Factors.

Cost share reduction subsidies will be available on silver level plans. Anthem ran projections to estimate enrollment by income level in each of the plans. Projected enrollment by plan and subsidy level can be found in Exhibit Q: Membership Projections for Cost-Sharing Reductions.

## **24. Warning Alerts**

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There are no warning alerts indicated on Worksheet 2 of the Unified Rate Review Template.

## **25. Terminated Products**

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The list of terminated products is shown in Exhibit P: Terminated Products.

## **26. Plan Type**

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Plan types in Worksheet 2, Section I of the URRT adequately describe Anthem's plans.

## **27. Reliance**

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

## **28. Actuarial Certification**

---

I, Michael Bears, 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(d)(1)),
- Developed in compliance with the applicable Actuarial Standards of Practice
- Reasonable in relation to the benefits provided and the population anticipated to be covered
- Neither excessive nor deficient.

(2) 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.

(3) The percent of total premium that represents essential health benefits included in Worksheet 2, Sections III and IV is calculated in accordance with actuarial standards of practice.

(4) The 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 increases, 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 Memo does accurately describe the process used by the issuer to develop the rates.

A handwritten signature in black ink, appearing to read 'Michael Bears', with a long horizontal line extending to the right.

Michael Bears, FSA, MAAA  
Regional Vice President and Actuary III

June 13, 2014

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Date

## Exhibit A - Base Rate Development

### Anthem Health Plans, Inc. Individual

Rates Effective January 1, 2015

	<u>Paid Claims</u>	
1) Experience Period Cost PMPM	\$ 453.53	Exhibit B
2) <u>x Normalization Factor</u>	<u>0.8788</u>	Exhibit C
3) = Normalized Claims	\$ 398.56	= (1) x (2)
4) x Benefit Changes	0.9568	Exhibit D
5) x Morbidity Changes	0.9886	Exhibit D
6) x Trend Factor	1.1754	Exhibit D
7) <u>x Other Cost of Care Impacts</u>	<u>1.0047</u>	Exhibit D
8) = Projected Claim Cost	\$ 445.20	= (3) x (4) x (5) x (6) x (7)
9) + Other Claim Adjustments	\$ (4.15)	Exhibit E
10) = Claims Projected to Projection Period	\$ 441.05	= (8) + (9)
11) + Risk Adjustment and Reinsurance - Contributions and Payments	\$ (32.60)	Exhibit F
12) <u>+ Non-Benefit Expenses and Profit &amp; Risk {1}</u>	<u>\$ 106.66</u>	Exhibit G
13) = Required Premium in Projection Period	\$ 515.11	= (10) + (11) + (12)
14) <u>÷ Calibration Factor</u>	<u>1.6047</u>	Exhibit H
15) = Required Base Rate (Average Plan Level - Age 21)	\$ 321.00	= (13) ÷ (14)
16) Projected Loss Ratio (Conventional Basis)	79.3%	= [(10) + (11)] ÷ (13)

**NOTES:**

{1} Equivalent to PMPM expenses on Exhibit G + % of premium expenses on Exhibit G applied to Required Premium (Row 13 above).

## Exhibit B - Claims Experience for Manual Rate Development

Anthem Health Plans, Inc.  
Individual

Incurred January 1, 2013 through December 31, 2013  
Paid through December 31, 2013

PAID CLAIMS:										
Incurred and Paid Claims:		IBNR:		Fully Incurred Claims:			Total	Member	Total	
Medical	Drug	Medical	Drug	Medical	Drug	Capitation	Benefit Expense	Months	PMPM	
\$ 317,746,206	\$ 99,786,536	\$ 27,099,968	\$ 3,684,298	\$ 344,846,174	\$ 103,470,834	\$ 3,545,703	\$ 451,862,711	996,325	\$ 453.53	

ALLOWED CLAIMS:										
Incurred and Paid Claims:		IBNR:		Fully Incurred Claims:			Total	Member	Total	
Medical	Drug	Medical	Drug	Medical	Drug	Capitation	Benefit Expense	Months	PMPM	
\$ 370,668,211	\$ 116,562,623	\$ 31,684,246	\$ 4,322,842	\$ 402,352,457	\$ 120,885,465	\$ 3,545,703	\$ 526,783,625	996,325	\$ 528.73	

**Note**

Drug Claims are processed by an external vendor.

IBNR has been adjusted to reflect actual paid data through March 31, 2014.

## Exhibit C - Normalization Factors

Anthem Health Plans, Inc.  
Individual

Rates Effective January 1, 2015

	Average Claim Factors		Normalization Factor
	Experience Period Population	Future Population	
Age/Gender	1.0554	1.1439	1.0839
Area/Network	0.9715	0.9751	1.0037
Benefit Plan	0.8367	0.6759	0.8078
<b>Total</b>			<b>0.8788</b>

## Exhibit D - Projection Period Adjustments

**Anthem Health Plans, Inc.  
Individual**

Rates Effective January 1, 2015

<i>Impact of Changes Between Experience Period and Projection Period:</i>		<u>Adjustment Factor</u>
<b><u>Benefit changes</u></b>		
Preventive Rx (over the counter)		1.0001
Rx Adjustments {1}		0.9567
Total Benefit Changes		0.9568
<b><u>Morbidity changes</u></b>		
Total Morbidity Changes		0.9886
<b><u>Cost of care impacts</u></b>		
Annual Medical/Rx Trend Rate		8.42%
Months of Projection		24
Trend Factor		1.1754
Medical Management		0.9878
Induced Demand for CSR		1.0133
Grace Period		1.0038
Total other Impacts		1.0047

**NOTES:**

{1} Includes Rx formulary and impacts for moving drugs into different tiers

## Exhibit E - Other Claim Adjustments

Anthem Health Plans, Inc.  
Individual

Rates Effective January 1, 2015

<i>Adjustments to projection period claims to reflect covered benefits not included in experience period data:</i>	
	<u>PMPM</u>
Rx Rebates	(\$7.60)
Pediatric Dental	\$2.89
Pediatric Vision	\$0.56
Total	(\$4.15)

**NOTES:**

Adjustments above reflect ONLY additional costs beyond those already captured in line Item 8 of Exhibit A.

## Exhibit F - Risk Adjustment and Reinsurance - Contributions and Payments

Anthem Health Plans, Inc.  
Individual

Rates Effective January 1, 2015

<b><u>Risk Adjustment:</u></b>			
<b>PMPM</b>	<b>User Fee</b>	<b>Net Transfer</b>	
Federal Program	\$0.08	\$0.00	
<u>Note:</u>			
It is assumed the risk for the plans included in this rate filing is no better/worse than any other plans within this market.			
<b><u>Reinsurance:</u></b>			
<b>PMPM</b>	<b>Contributions Made</b>	<b>Expected Receipts</b>	
Federal Program	\$3.67	(\$36.35)	<i>Small Group Plans contribute funds but only Individual Plans are eligible to receive payments</i>
<u>Source:</u>			
HHS estimates a national per capita contribution rate of \$3.67 per month (\$44 per year) in benefit year 2015 (per Payment Parameter Rule).			
<b>Grand Total of All Risk Mitigation Programs</b>			<b>(\$32.60)</b>

## Exhibit G - Non-Benefit Expenses and Profit & Risk

### Anthem Health Plans, Inc. Individual

Rates Effective January 1, 2015

	Expenses Applied As a PMPM Cost	Expenses Applied as a % of Premium	Expressed as a PMPM {1}
<b>Administrative Expenses</b>			
Administrative Costs	\$30.57		
Quality Improvement Expense	\$3.48		
Selling Expense		2.07%	
Specialty Expenses	\$0.65		
Misc (PMPM) {4}	\$1.47		
<b>Total Administrative Expenses</b>	<b>\$36.17</b>	<b>2.07%</b>	<b>\$46.83</b>
<b>Taxes and Fees</b>			
PCORI Fee	\$0.18		
ACA Insurer Fee		3.48%	
Exchange Fee		1.35%	
Premium Tax		1.75%	
MLR-Deductible Federal/State Income Taxes {2}		1.75%	
<b>Total Taxes and Fees</b>	<b>\$0.18</b>	<b>8.33%</b>	<b>\$43.09</b>
<b>Total Non-Benefit Expenses, Profit, and Risk</b>	<b>\$36.35</b>	<b>13.65%</b>	<b>\$106.66</b>

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

{4} Includes charge for State of Connecticut Vaccine Immunization Program.

# Exhibit H - Calibration

Anthem Health Plans, Inc.  
Individual

Rates Effective January 1, 2015

*Average 2015 rating factors for 2015 population:*

	<b>Calibration Factors</b>
<b>Age</b>	1.5926
<b>Area</b>	1.0076
<b>Benefit Plan</b>	1.0000
<b>Total Calibration Factor</b>	1.6047

**NOTES:**

See Line Item 14 on Exhibit A.

The base rate is developed by dividing the required premium in the projection period by the total average rating factor shown above.

## Exhibit I - Non-Grandfathered Benefit Plan Factors and Rate Increases

**Anthem Health Plans, Inc.  
Individual**

Rates Effective January 1, 2015

HIOS Plan Name	2015 HIOS Plan ID	On/Off		Benefit Plan		Area(s) Offered	2014 HIOS Plan ID Mapping	Plan Specific Rate Increase* (excluding aging)
		Exchange	Metal Level	Factor	Network Name			
Anthem HMO Catastrophic Pathway X Enhanced 6600/0%	86545CT1230009	On	Catastrophic	0.5268	CT IND:-Pathway X Enhanced	01,02,03,04,05,06,07,08	86545CT1230005	-4.80%
Anthem HMO Bronze Pathway X Enhanced 0% for HSA	86545CT1230006	On	Bronze	0.7032	CT IND:-Pathway X Enhanced	01,02,03,04,05,06,07,08	86545CT1230001	7.41%
Anthem HMO Bronze Pathway X Enhanced 5750/0%	86545CT1230007	On	Bronze	0.8037	CT IND:-Pathway X Enhanced	01,02,03,04,05,06,07,08	86545CT1230002	16.29%
Anthem HMO Gold Pathway X Enhanced 1500/0%	86545CT1230008	On	Gold	1.1829	CT IND:-Pathway X Enhanced	01,02,03,04,05,06,07,08	86545CT1470001	17.38%
Anthem PPO Bronze Standard Pathway X 5000/40%	86545CT1330006	On	Bronze	0.7648	CT IND:-Pathway X	01,02,03,04,05,06,07,08	86545CT1330002	4.39%
Anthem PPO Bronze Standard Pathway X 0% for HSA	86545CT1330009	On	Bronze	0.7372	CT IND:-Pathway X	01,02,03,04,05,06,07,08	None	n/a
Anthem PPO Silver Standard Pathway X 2600	86545CT1330005	On	Silver	1.0541	CT IND:-Pathway X	01,02,03,04,05,06,07,08	86545CT1330001	13.77%
Anthem PPO Silver Pathway X 3200/0%	86545CT1330008	On	Silver	1.0561	CT IND:-Pathway X	01,02,03,04,05,06,07,08	86545CT1480001	13.47%
Anthem PPO Gold Standard Pathway X 1000	86545CT1330007	On	Gold	1.2278	CT IND:-Pathway X	01,02,03,04,05,06,07,08	86545CT1330003	14.29%
Anthem Blue Cross Blue Shield HMO Multi State Plan	86545CT1470002	On	Gold	1.1194	CT IND:-Pathway X Enhanced	01,02,03,04,05,06,07,08	None	n/a
Anthem Blue Cross Blue Shield PPO Multi State Plan	86545CT1480002	On	Silver	0.9363	CT IND:-Pathway X	01,02,03,04,05,06,07,08	None	n/a
Anthem HMO Catastrophic BlueCare 6600/0%	86545CT1310033	Off	Catastrophic	0.5706	CT IND:-BlueCare	All	86545CT1310012	-3.40%
Anthem HMO BlueCare 0% for HSA	86545CT1310018	Off	Bronze	0.7972	CT IND:-BlueCare	All	86545CT1310001	9.46%
Anthem HMO BlueCare 0% for HSA	86545CT1310019	Off	Bronze	0.7707	CT IND:-BlueCare	All	86545CT1310002	8.88%
Anthem HMO BlueCare 5500/0%	86545CT1310020	Off	Bronze	0.8527	CT IND:-BlueCare	All	86545CT1310003	15.99%
Anthem HMO BlueCare 6000/0%	86545CT1310024	Off	Bronze	0.8307	CT IND:-BlueCare	All	86545CT1310010	6.96%
Anthem HMO BlueCare 0% for HSA	86545CT1310030	Off	Silver	0.9940	CT IND:-BlueCare	All	86545CT1310005	11.46%
Anthem HMO BlueCare 3000/0%	86545CT1310031	Off	Silver	1.0858	CT IND:-BlueCare	All	86545CT1310006	16.56%
Anthem HMO BlueCare 1500/0%	86545CT1310032	Off	Gold	1.2814	CT IND:-BlueCare	All	86545CT1310011	15.22%
Anthem PPO Century Preferred 20% for HSA	86545CT1340005	Off	Bronze	0.6969	CT IND:-Century Preferred	01,02,03,04,05,06,07,08	None	n/a
Anthem HMO BlueCare 3500/0%	86545CT1340008	Off	Silver	1.0052	CT IND:-BlueCare	All	86545CT1310007	10.66%
Anthem PPO Century Preferred 2750/20%	86545CT1340006	Off	Silver	0.9901	CT IND:-Century Preferred	01,02,03,04,05,06,07,08	None	n/a
Anthem PPO Century Preferred 2500/20%	86545CT1340007	Off	Silver	1.0143	CT IND:-Century Preferred	01,02,03,04,05,06,07,08	None	n/a
Anthem HMO Pathway X Enhanced \$1850/0%	86545CT1340009	Off	Gold	1.1194	CT IND:-Pathway X Enhanced	01,02,03,04,05,06,07,08	None	n/a

**NOTES:**

Benefit Plan Factors above reflect plan by plan differences from the index rate for allowable adjustments as described in detail in the Market Reform and Payment Parameters Regulations and illustrated in Exhibit C. The weighted average of these adjustments for the entire risk pool included in this rate filing is detailed in Exhibit H.

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

## Exhibit J - Age and Tobacco Factors

Anthem Health Plans, Inc.  
Individual

Rates Effective January 1, 2015

Age	Age Rating Factor	Tobacco Rating Factor
0-17	0.635	1.000
18	0.635	1.000
19	0.635	1.000
20	0.635	1.000
21	1.000	1.000
22	1.000	1.000
23	1.000	1.000
24	1.000	1.000
25	1.004	1.000
26	1.024	1.000
27	1.048	1.000
28	1.087	1.000
29	1.119	1.000
30	1.135	1.000
31	1.159	1.000
32	1.183	1.000
33	1.198	1.000
34	1.214	1.000
35	1.222	1.000
36	1.230	1.000
37	1.238	1.000
38	1.246	1.000
39	1.262	1.000
40	1.278	1.000
41	1.302	1.000
42	1.325	1.000
43	1.357	1.000
44	1.397	1.000
45	1.444	1.000
46	1.500	1.000
47	1.563	1.000
48	1.635	1.000
49	1.706	1.000
50	1.786	1.000
51	1.865	1.000
52	1.952	1.000
53	2.040	1.000
54	2.135	1.000
55	2.230	1.000
56	2.333	1.000
57	2.437	1.000
58	2.548	1.000
59	2.603	1.000
60	2.714	1.000
61	2.810	1.000
62	2.873	1.000
63	2.952	1.000
64+	3.000	1.000

**NOTES:**

{1} The weighted averages of these factors for the entire risk pool included in this rate filing is detailed in Exhibit H.

## Exhibit K - Area Factors

### Anthem Health Plans, Inc. Individual

Rates Effective January 1, 2015

Rating Area Description	Area Rating Factor
Fairfield	1.10
Hartford	0.87
Litchfield	0.87
Middlesex	0.95
New Haven	0.95
New London	0.87
Tolland	0.87
Windham	0.87
Out of Area	1.00

**NOTES:**

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

## Exhibit L - Sample Rate Calculation

**Anthem Health Plans, Inc.  
Individual**

**Rates Effective January 1, 2015**

**Name:** John Doe  
**Effective Date:** 1/1/2015  
**On/Off Exchange:** Off  
**Metal Level:** Silver  
**Plan ID:** 86545CT1340008  
**Rating Area:** 01

**Family Members Covered:**

	<u>Age</u>
Subscriber	47
Spouse	42
Child (age 21+)	25
Child 11	20
Child 12	16

**Calculation of Monthly Premium:**

Base Rate =	\$ 321.00	Exhibit A
x Benefit Plan Factor	1.0052	Exhibit I
x <u>Area Factor</u>	<u>1.1000</u>	Exhibit K
<b>Base Rate Adjusted for Plan/Area =</b>	<b>\$ 354.94</b>	

**Age Factors:**

Exhibit J

	<u>Age Factor</u>
Subscriber	1.563
Spouse	1.325
Child (age 21+)	1.004
Child 11	0.635
Child 12	0.635

**Final Monthly Premium PMPM:**

	<u>PMPM</u>
Subscriber	\$ 554.77
Spouse	\$ 470.30
Child (age 21+)	\$ 356.36
Child 11	\$ 225.39
Child 12	\$ 225.39
<b>TOTAL</b>	<b>\$ 1,832.21</b>

**NOTES:**

{1} 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.

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

## Exhibit M - Federal MLR Estimated Calculation

### Anthem Health Plans, Inc. Individual

Rates Effective January 1, 2015

**Numerator:**

Incurred Claims	\$	441.05	Exhibit A
+ Quality Improvement Expense	\$	3.48	Exhibit G
+ Risk Corridor Contributions	\$	-	
+ Risk Adjustment Net Transfer	\$	-	Exhibit F
+ Reinsurance Receipts	\$	(36.35)	Exhibit F
+ Risk Corridor Receipts	\$	-	
+ Reduction to Rx Incurred Claims (ACA MLR)	\$	(8.64)	{5}
<b>= Estimated Federal MLR Numerator</b>	<b>\$</b>	<b>399.54</b>	

**Denominator:**

Premiums	\$	515.11	Exhibit A
- Federal and State Taxes	\$	9.01	Exhibit A (Line 13) x Exhibit G (Income Taxes)
- Premium Taxes	\$	9.01	Exhibit A (Line 13) x Exhibit G (Premium Tax)
- Risk Adjustment User Fee	\$	0.08	Exhibit F
- Reinsurance Contributions	\$	3.67	Exhibit F
- Licensing and Regulatory Fees	\$	25.06	Exhibit A (Line 13) x Exhibit G (Fees)
<b>= Estimated Federal MLR Denominator</b>	<b>\$</b>	<b>468.28</b>	

**Estimated Federal MLR** **85.32%**

**NOTES:**

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

- {1} The above calculation represents only the products in this filing. Federal MLR will be calculated at the legal entity and market level.
- {2} Not all numerator/denominator components are captured above (for example, fraud and prevention program costs, payroll taxes, assessments for state high risk pools etc.).
- {3} 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.
- {4} Licensing and Regulatory Fees include ACA-related fees as allowed under the MLR Final Rule.

## Exhibit N - Market Adjusted Index Rate Development

### Anthem Health Plans, Inc. Individual

Rates Effective January 1, 2015

1) Projected Paid Claim Cost	\$	445.20	Exhibit A, Line Item 8
2) - Non-EHBs Embedded in Line Item 1) Above	\$	-	
3) = Projected Paid Claims, Excluding ALL Non-EHBs	\$	445.20	
4) + Rx Rebates	\$	(7.60)	Exhibit D
5) + Additional EHBs {1}	\$	3.45	Exhibit D
6) = Projected Paid Claims Reflecting only EHBs	\$	441.05	
7) ÷ Paid to Allowed Ratio		0.7738	
8) = Projected Allowed Claims Reflecting only EHBs	\$	<b>569.98</b>	<b>= Index Rate</b>
9) Reinsurance Contribution	\$	3.67	Exhibit F
10) Expected Reinsurance Payments	\$	(36.35)	Exhibit F
11) Risk Adjustment Fee	\$	0.08	Exhibit F
12) Risk Adjustment Net Transfer	\$	-	Exhibit F
13) Exchange Fee	\$	6.95	
14) <b>Market Adjusted Index Rate</b>	\$	<b>536.84</b>	<b>= [(6) + (9) + (10) + (11) + (12) + (13)] ÷ (7)</b>

NOTE:

{1} Pediatric Dental and Pediatric Vision

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

**Exhibit O - Plan Adjusted Index Rate and Consumer Adjusted Premium Rates**

**Anthem Health Plans, Inc.  
Individual**

Rates Effective January 1, 2015

HIOS Plan Name	HIOS Plan ID	Market Adjusted Index Rate (Exhibit N)	Cost Sharing Adjustment	Provider Network Adjustment	Adjustment for Benefits in Addition to the EHBS	Catastrophic Plan Adjustment {1}	Administrative Costs	Plan Adjusted Index Rate {2}	Calibration Factor {3}	Consumer Adjusted Premium Rate {4}
Anthem HMO Catastrophic Pathway X Enhanced 6600/0%	86545CT1230009	\$536.84	0.5635	0.9525	1.0000	0.7561	\$53.48	\$271.34	1.6047	\$169.09
Anthem HMO Bronze Pathway X Enhanced 0% for HSA	86545CT1230006	\$536.84	0.5669	0.9525	1.0000	1.0039	\$71.21	\$362.21	1.6047	\$225.72
Anthem HMO Bronze Pathway X Enhanced 5750/0%	86545CT1230007	\$536.84	0.6480	0.9525	1.0000	1.0039	\$81.32	\$413.97	1.6047	\$257.98
Anthem HMO Gold Pathway X Enhanced 1500/0%	86545CT1230008	\$536.84	0.9542	0.9525	1.0000	1.0039	\$119.49	\$609.31	1.6047	\$379.70
Anthem PPO Bronze Standard Pathway X 5000/40%	86545CT1330006	\$536.84	0.5914	0.9925	1.0000	1.0039	\$77.57	\$393.94	1.6047	\$245.49
Anthem PPO Bronze Standard Pathway X 0% for HSA	86545CT1330009	\$536.84	0.5699	0.9925	1.0000	1.0039	\$74.90	\$379.75	1.6047	\$236.65
Anthem PPO Silver Standard Pathway X 2600	86545CT1330005	\$536.84	0.8157	0.9925	1.0000	1.0039	\$106.66	\$542.98	1.6047	\$338.37
Anthem PPO Silver Pathway X 3200/0%	86545CT1330008	\$536.84	0.8175	0.9925	1.0000	1.0039	\$106.71	\$544.00	1.6047	\$339.00
Anthem PPO Gold Standard Pathway X 1000	86545CT1330007	\$536.84	0.9501	0.9925	1.0000	1.0039	\$124.21	\$632.44	1.6047	\$394.12
Anthem Blue Cross Blue Shield HMO Multi State Plan	86545CT1470002	\$536.84	0.9029	0.9525	1.0000	1.0039	\$113.11	\$576.63	1.6047	\$359.34
Anthem Blue Cross Blue Shield PPO Multi State Plan	86545CT1480002	\$536.84	0.7246	0.9925	1.0000	1.0039	\$94.68	\$482.30	1.6047	\$300.55
Anthem HMO Catastrophic BlueCare 6600/0%	86545CT1310033	\$536.84	0.5635	1.0320	1.0000	0.7561	\$57.88	\$293.92	1.6047	\$183.16
Anthem HMO BlueCare 0% for HSA	86545CT1310018	\$536.84	0.5933	1.0320	1.0000	1.0039	\$80.67	\$410.66	1.6047	\$255.91
Anthem HMO BlueCare 0% for HSA	86545CT1310019	\$536.84	0.5736	1.0320	1.0000	1.0039	\$78.01	\$397.01	1.6047	\$247.41
Anthem HMO BlueCare 5500/0%	86545CT1310020	\$536.84	0.6347	1.0320	1.0000	1.0039	\$86.24	\$439.22	1.6047	\$273.71
Anthem HMO BlueCare 6000/0%	86545CT1310024	\$536.84	0.6183	1.0320	1.0000	1.0039	\$84.03	\$427.89	1.6047	\$266.65
Anthem HMO BlueCare 0% for HSA	86545CT1310030	\$536.84	0.7399	1.0320	1.0000	1.0039	\$100.48	\$512.00	1.6047	\$319.06
Anthem HMO BlueCare 3000/0%	86545CT1310031	\$536.84	0.8084	1.0320	1.0000	1.0039	\$109.71	\$559.32	1.6047	\$348.55
Anthem HMO BlueCare 1500/0%	86545CT1310032	\$536.84	0.9542	1.0320	1.0000	1.0039	\$129.40	\$660.08	1.6047	\$411.34
Anthem PPO Century Preferred 20% for HSA	86545CT1340005	\$536.84	0.4977	1.0753	1.0000	1.0039	\$70.59	\$359.00	1.6047	\$223.72
Anthem HMO BlueCare 3500/0%	86545CT1340008	\$536.84	0.7483	1.0320	1.0000	1.0039	\$101.60	\$517.79	1.6047	\$322.67
Anthem PPO Century Preferred 2750/20%	86545CT1340006	\$536.84	0.7073	1.0753	1.0000	1.0039	\$100.08	\$510.00	1.6047	\$317.82
Anthem PPO Century Preferred 2500/20%	86545CT1340007	\$536.84	0.7246	1.0753	1.0000	1.0039	\$102.52	\$522.47	1.6047	\$325.59
Anthem HMO Pathway X Enhanced \$1850/0%	86545CT1340009	\$536.84	0.9029	0.9525	1.0000	1.0039	\$113.11	\$576.63	1.6047	\$359.34

**Notes:**

{1} This adjustment assumes a healthier than average population will select the catastrophic plan. The catastrophic adjustment factor is normalized to 1.0 across all plans for revenue neutrality across the entire block.

{2} The Plan Adjusted Index Rate is calculated by multiplying the Market 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.

{3} See Exhibit H - Calibration.

{4} The Consumer Adjusted Premium Rate is calculated by dividing the Plan Adjusted Index Rate by 'Calibration Factor'. The Consumer Adjusted Premium Rate can also be described as a Plan Level Base Rate.

## Exhibit P - Terminated Products

Anthem Health Plans, Inc.  
Individual

Effective January 1, 2015

<b>Following are the products that will be terminated prior to the effective date:</b>	
<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>	
<b>Pre ACA Terminated Products</b>	
<b>HIOS Product ID</b>	<b>HIOS Product Name</b>
86545CT079	BasiCare
86545CT079	BasiCare
86545CT079	BasiCare
86545CT068	Blue Care Direct
86545CT070	Century Preferred
86545CT116	LUMENOS
86545CT075	Tonik
86545CT075	Tonik
86545CT075	Tonik
86545CT080	Comprehensive Health Care
86545CT080	Comprehensive Health Care
86545CT080	Comprehensive Health Care
86545CT116	LUMENOS
86545CT112	Premier
86545CT112	Premier
86545CT112	Premier

86545CT112	Premier
86545CT112	Premier
86545CT115	Lumenos H S A Plus
86545CT112	Premier
86545CT115	Lumenos H S A Plus
86545CT112	Premier
86545CT113	SmartSense
86545CT079	BasiCare
86545CT079	BasiCare
86545CT079	BasiCare
86545CT068	Blue Care Direct
86545CT070	Century Preferred
<b>Post ACA Terminated Plans</b>	
<b>HIOS Product ID</b>	<b>HIOS Product Name</b>

## Exhibit Q - Membership Projections for Cost-Sharing Reductions

Anthem Health Plans, Inc.  
Individual

Rates Effective January 1, 2015

<b>Silver Plan</b> <u>HIOS Standard Component Plan ID</u>	<b>Projected Membership by Subsidy Level:</b>			
	<u>100-150%</u>	<u>150%-200%</u>	<u>200%-250%</u>	<u>Standard</u>
86545CT1330005	2,211	2,187	1,332	6,697
86545CT1330008	1,474	1,458	888	4,464
86545CT1480002	0	0	0	1
86545CT1310030	0	0	0	8,047
86545CT1310031	0	0	0	812
86545CT1340008	0	0	0	877
86545CT1340006	0	0	0	1
86545CT1340007	0	0	0	1