STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Anthem Health Plan Individual 2021

Finding of Facts

1. This is a rate filing for the Individual market ACA-compliant plans offered by Anthem Health Plans, Inc., also referred to as Anthem.

2. The proposed rates in this filing will be effective for the 2021 plan year beginning January 1, 2021 and apply to plans both On-Exchange and Off-Exchange.

3. Policy forms in this rate filing are as follows:

   Form Number
   CT_ONHIX_HMO_01-21
   CT_OFFHIX_HMO_01-21
   CT_ONHIX_PPO_01-21
   CT_OFFHIX_PPO_01-21

4. The proposed annual rate changes by plan from 2.08% to 14.16%. These ranges are based on the renewing plans and are consistent with what's reported in the Unified Rate Review Template.

5. Factors that affect the rate changes for all plans include:

   - Morbidity: There are anticipated changes in the market-wide morbidity of the covered population in the projection period.
   - Trend: This includes the impact of inflation, provider contracting changes, and changes in utilization of services.
   - Benefit modifications, including changes made to comply with updated AV requirements.
   - Changes in taxes, fees, and some non-benefit expenses, including the discontinuance of the Health Insurer Tax in 2021 and reinstatement of PCORI in 2021.

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

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

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

8. The experience reported reflects the incurred claims from January 1, 2019 through December 31, 2019 based on claims paid through March 31, 2020.

9. The preliminary MLR rebate estimate is $0, which is consistent with Anthem's December 31, 2019 general ledger estimate allocated to the non-grandfathered portion of Individual business.

10. The allowed claims are determined by subtracting non-covered benefits, provider discounts, and coordination of benefits amounts from the billed amount. Allowed and incurred claims are completed using the chain ladder method, an industry standard, by using historic paid vs. incurred claims patterns. The method calculates historic completion percentages, representing the percent of cumulative claims paid of the ultimate incurred amounts for each lag month. Claim backlog files are reviewed on a monthly basis and are accounted for in the historical completion factor estimates.

11. The annual pricing trend used in the development of the rates is 7.7%. This annual pricing trend is applied to both years 1 and 2 in Worksheet 1 of the URRT. 12.0 months of trend is applied to Year 1 and 12.2 years of trend to Year 2. The trend is developed by normalizing historical benefit expense for changes in the underlying population and known cost drivers, which is then projected forward to develop the pricing trend. Examples of such changes include contracting, cost of care initiatives, workdays, average wholesale price, and expected introduction of generic drugs. For projection, the experience period claims are trended 24.2 months from the midpoint of the experience period, which is June 26, 2019, to the midpoint of the projection period, which is July 1, 2021.

12. Morbidity Adjustment:

    - Adjustments are made to account for the differences between the average morbidity of the experience period population and that of the anticipated population in the projection period.
    - The projected population consists of expected retention of existing policies and new sales. The new sales include the previously uninsured population and previously insured populations from other carriers or coverage. The morbidity adjustment reflects projected Anthem and market changes in morbidity. Prior experience has exhibited market shrinkage and morbidity increases year over year. With anticipated growing market volatility, the expectation is that selective lapse and market deterioration will continue in 2021 due to increased selective entry and exit as members make health care decisions in the guaranteed issued, community rated ACA marketplace.

13. Changes in benefits include the following items:

    - Rx Adjustments: Adjustments are made to reflect differences in the Rx formulary and mail order programs between the experience period and the projection period.
    - Network Adjustments: Adjustments are made to account for the member cost sharing change for Out-of-Network benefits between the experience period and the projection period for some plans.

14. Changes in Demographics (Normalization): The experience period claims are normalized to reflect anticipated changes in age/gender, area, network, and benefit plan in the projection period:

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

15. Other Adjustments:

    - Induced demand Due to Cost Share Reductions: Individuals who fall below 250% of the federal Poverty Level and enroll in On-Exchange silver plans will be eligible for cost share reductions. The percentage of enrollment in CSR Plans in the experience period is compared to that of the projection period to adjust for the different induced demand level due to CSR between the two periods.
    - Rx Rebates: The projected claims cost is adjusted to reflect anticipated Rx rebates. These projections take into account the most up-to-date information regarding anticipated rebate contracts, drug prices, anticipated price inflation, and upcoming patent expirations.
    - Projected cost of pediatric dental and vision benefits are included.
    - Benefits in excess of the essential health benefits in the projection period are included. Exhibit F provides details of additional non-EHB benefits.

16. The experience period claims are 100% credible based on the credibility method used. Based on analysis of historical data, the standard for fully credible experience is 9,121members. With 29,427 members, the credibility level assigned to the experience period claims is 100%. Therefore, a manual rate was not used in the rate development.

17. Experience period risk adjustments are based on the 2019 actual risk adjustment transfer payment and High Cost Risk Pool net transfer from the CMS report published July 17, 2020.

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

19. Experience for all individual policy forms in this filing:

		Incurred	Incurred
Calendar	Premium	Claims	Loss
Year	PMPM	PMPM	Ratio
2015	$482.18	$396.04	82.1%
2016	$486.46	$468.17	96.2%
2017	$564.14	$515.50	91.4%
2018	$697.01	$536.78	77.0%
2019	$706.20	$590.77	83.7%

20. Trend Historical Exhibit

Rating Trend
Anthem proposes a 7.7% rating trend. The rating trend is developed from the expected paid trend.

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

Benefit Buy
Cost and utilization data in the experience periods includes the impact of benefit buy-downs. The trend process is normalized for benefit buy-down to develop a projected trend for 2018, 2019, and 2020.

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

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

	2017	2018	2019	2020
Paid Data thru 4/30 (PMPM)	542.47	560.58	603.55	623.5
Paid Trend thru 4/30		3.3%	7.7%	3.3%

	(1)	(2)	(3)	(2)/(1)	(3)/(2)
				Trend	Trend
	2017	2018	2019	2018	2019
Member Months	597,281	459,642	353,029		
Utilization/1000					
Inpatient	388.8	363.1	395.1	-6.6%	8.8%
Outpatient	4,430.7	4,433.5	4,765.5	0.1%	7.5%
Professional	9,626.5	9,916.9	10,638.9	3.0%	7.3%
Medical SubTotal	14,446.0	14,713.5	15,799.5	1.9%	7.4%
Pharmacy	13,465.2	13,654.2	14,430.2	1.4%	5.7%
Total	27,911.2	28,367.7	30,229.7	1.6%	6.6%
Unit Cost $$					
Inpatient	4,341.5	4,788.5	4,499.3	10.3%	-6.0%
Outpatient	555.5	623.9	689.9	12.3%	10.6%
Professional	200.3	207.5	203.2	3.6%	-2.1%
Medical SubTotal	420.7	446.0	457.4	6.0%	2.6%
Pharmacy	132.6	142.1	152.9	7.1%	7.6%
Total	281.7	299.7	312.1	6.4%	4.1%
Allowed PMPM					
Inpatient	140.65	144.88	148.15	3.0%	2.3%
Outpatient	205.10	230.49	273.97	12.4%	18.9%
Professional	160.65	171.44	180.14	6.7%	5.1%
Medical SubTotal	506.40	546.81	602.27	8.0%	10.1%
Pharmacy	148.82	161.65	183.89	8.6%	13.8%
Total	655.22	708.46	786.16	8.1%	11.0%
Paid PMPM					
Inpatient	133.09	136.23	137.40	2.4%	0.9%
Outpatient	164.79	179.48	212.97	8.9%	18.7%
Professional	110.12	116.87	118.21	6.1%	1.1%
Medical SubTotal	408.00	432.58	468.58	6.0%	8.3%
Pharmacy	127.70	139.42	160.47	9.2%	15.1%
Total	535.70	572.00	629.05	6.8%	10.0%

21. The proposed retention charge in the rate development is 17.6%. This is comprised of both fixed and variable expenses and includes selling expense, administrative expense, federal fees, federal income tax, exchange fees and risk and net profit margin. The December 31, 2019 Annual Statement for Anthem Health Plans, Inc. has a retention amount of 17.6%. This amount is calculated from the Analysis of Operations by Lines of Business exhibit on page 7: 1 – [line 17, column 2 $682,415,373 / line 7, column 2 $828,035,530] = 17.6%.

22. Exchange User Fee: The expected charge is estimated at 1.69% of premium. The resulting fee/percentage is applied evenly to all plans in the risk pool, both On and Off Exchange.

23. Premium taxes, federal income taxes, and state income taxes are also included.

24. Profit & risk margin is reflected on a post-tax basis as a percentage of premium.

25. Exhibit I shows the projected Federal MLR for the products in this filing. The calculation is an estimate and is not meant to be a true measure for Federal or State MLR rebate purposes. The 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. The estimated Federal MLR is 87.57%.

26. The overall impact on 2021 rates due to COVID-19 is $17.54 PMPM or 2.3% expressed as a percent of premium, which includes the cost of vaccination, testing, COVID-19 related treatments, and pent-up demand due to deferral services. The cost impact is built into the rate development in Exhibit C, line item 7.

27. The 2021 Individual plan portfolio contains six plans with tiered in-network benefits. These plans have up to three networks of provider care and different cost share provisions for each network:

    - The Tier 1 network is a subset of preferred in-network providers; members have the lowest cost share amounts when utilizing this preferred network.
    - The Tier 2 network is comprised of the remaining in-network providers and has higher cost share amounts compared to the Tier 1 network.
    - For tiered PPO plans, the Tier 3 network is comprised of the out-of-network providers and has the highest cost share amounts.

- Additional cost of care savings are expected from increased utilization and new providers contracting of Tier 1 providers. These savings are used to reduce the tiered plan rate compared to a non-tiered plan with similar cost share provisions.

28. Anthem is introducing a new product with PCPs as gatekeepers. A gatekeeper referral is required for services provided by specialists, outpatient facilities, and inpatient facilities, with the exception of emergency rooms. The 2021 individual plan portfolio contains five plans of this type.

29. The RBC Ratio for Anthem Health Plans, Inc. is 456.45% as of 12/31/2019. Current capital and surplus for Anthem Health Plans, Inc. is $322,847,919.

30. The Department received 3 public comments requesting that the rate increase be disapproved and received 2 public comments regarding all of the ACA filings generally.

Department Summary

Since this filing reflects rates that incorporate all the new rating requirements of PPACA effective 1/1/2014, the Department used criteria spelled out in the latest HHS rate regulations as a template for review along with previously issued CT Insurance Department bulletins that discuss the requirements for rate filings.

The Department reviewed the 7.7% annual trend for 24.2 months assumption used in the rate filing and believes that based upon the experience data submitted and the impact of COVID-19 on 2020 trend, this assumption is excessive and should be reduced to 3.5% for 12 months followed by 7.7% for 12 months. This decrease reflects the suppression of utilization due to COVID in 2020 experience.

The Department reviewed COVID-19 rate impact factor in the pricing build-up and believes this factor should be removed. Due to the significant uncertainty of the 2021 impact of COVID, the Department made a decision not to allow any future adjustments due to COVID-19.

The Department reviewed the July 2020 CCIIO Summary Report on Permanent Risk Adjustment transfers for the 2019 Benefit year report for Connecticut, as well as the August 2020 Report with Risk adjustment Data Verification (RADV) adjustments. Based on these reports, the Department believes the risk adjustment built into this rate filing is appropriate for 2021.

The Department reviewed the proposed area factor change and evidence to support the change and is accepting of the changes at this time.

Anthem assumed a morbidity deterioration factor of 1.0%. Based on the Departments review of the data provided and the Department's assessment of expected deterioration in the overall market, the Department believes this factor is excessive and should be removed.

Based upon the federal MLR for this filing of 87.57% the Department believes that the proposed pricing supports the federally required 80% loss ratio for individual business.

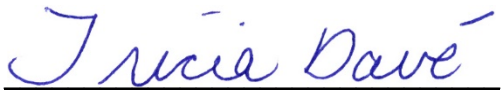
Department Disposition

Based upon the finding of fact, and the summary information described above, the proposed average rate increase of 9.9%, with a range from -2.1% to 14.2% is found to be excessive and is disapproved as submitted.

As a result, the final approved average increase is 1.9% with a range from -9.25% to 5.85%.

The approved rates, with the required changes implemented, are reasonable in relationship to the benefits being provided, and are neither excessive, nor inadequate nor unfairly discriminatory.

Dated September 11, 2020



Tricia Davé, F.S.A., M.A.A.A.
Insurance Actuary