

# EXHIBIT B

ACTUARIAL MEMORANDUM

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**1. General Information**

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## • Company Identifying Information

Company Legal Name:	HealthKeepers, Inc.
State:	Virginia
HIOS Issuer ID:	88380
NAIC Company Code:	95169
Market:	Individual
Effective Date:	January 1, 2019

## • Company Contact Information

Primary Contact Name:	Tim Connell
Primary Contact Telephone Number:	(804) 354-2716
Primary Contact Email Address:	Tim.Connell@anthem.com

**2. Scope and Purpose of the Filing**

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This is a rate filing for the Individual market ACA-compliant plans offered by HealthKeepers, Inc., also referred to as Anthem. The policy forms associated with these plans are listed below. The proposed rates in this filing will be effective for the 2019 plan year beginning January 1, 2019, and apply to plans Both On-Exchange and Off-Exchange for both new and in-force business. Rates are also guaranteed renewable as required by 14VAC5-130-65 A 8.

The Memorandum provides support to the rate development and demonstrates that rates are established in compliance with state laws and provisions of the Affordable Care Act. This rate filing is not intended to be used for other purposes. The rates proposed in this submission reflect the insurer participation in the market and regulatory framework as of August 3, 2018, including the risk adjustment formula as described in the HHS Notice of Benefit and Payment Parameters for 2019. Recent court proceedings have cast some uncertainty on the current methodology used in the Risk Adjustment program included in the Affordable Care Act. Changes to the risk adjustment program due to this increased uncertainty could have a profound impact on premium rates that cannot reasonably be considered in this rate development, but could invalidate the rates proposed herein. If that occurs, the proposed rates and the previously filed products may no longer be appropriate and must be reevaluated for revision and resubmission or withdrawal.

Policy Form Number(s):

VA\_ONHIX\_HMO\_01-19  
VA\_HMO\_01-19

### 3. Proposed Rate Increase(s)

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The proposed annual rate change by product in this filing is 2.5%, with rate changes by plan ranging from (28.3%) to 8.0%. These ranges are based on the renewing plans, and are consistent with what is reported in the Unified Rate Review Template. Exhibit A shows the rate change for each plan.

Factors that affect the rate changes for all plans include:

- Emerging experience different than projected.
- Trend: This includes the impact of inflation, provider contracting changes, and changes in utilization of services.
- Morbidity: There are anticipated changes in the market-wide morbidity of the covered population in the projection period.
- Benefit modifications, including changes made to comply with updated AV requirements.
- Changes in taxes, fees, and some non-benefit expenses, including the moratorium of the Health Insurer Tax in 2019 and discontinuance of the Patient-Centered Outcomes Research Institute Fee (PCORI) in 2019.

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 if using an alternate network.

### 4. Experience Period Premium and Claims

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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.

- Paid Through Date

The experience reported in Worksheet 1, Section I of the URRT reflects the incurred claims from January 1, 2017 through December 31, 2017 based on claims paid through February 28, 2018.

- Premiums (net of MLR Rebate) in Experience Period

The earned premium prior to MLR rebate is \$993,013,658. The earned premium reflects the pro-rata share of premium based on policy coverage dates.

The MLR rebate is \$0, which is consistent with Anthem's December 31, 2017 general ledger estimate allocated to the non-grandfathered portion of Individual business. Using this MLR rebate amount, the net earned premium is \$993,013,658 for the legal entity as reported in cell F14 of Worksheet 1, Section I of the URRT.

- 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 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.

Allowed and incurred claims reported in Worksheet 1, Section I of the URRT are \$1,178,980,372 and \$876,209,018, respectively. These amounts differ from those shown in Exhibit B due to the URRT including Rx Rebates.

## 5. Benefit Categories

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The methodology used to determine benefit categories in Worksheet 1, Section II of the URRT 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, and dental 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.

## 6. Projection Factors

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The experience period claims in Worksheet 1, Section I of the URRT are projected to the projection period using the factors described below. Exhibit C provides a summary of the factors.

- Changes in the Morbidity of the Population Insured

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 morbidity adjustment reflects projected Anthem and market changes in morbidity. Prior experience has exhibited market shrinkage and morbidity increases year over year. The market contraction component of the morbidity adjustment factor estimates the claims impact due to select lapsation. We are forecasting a continuation of selective lapse into 2019, assuming that individuals with greater healthcare needs will be more likely to retain coverage in a guaranteed issue market in which expected premium levels continue to exceed those in prior years. We expect this trend to continue in part because of the elimination of the individual mandate penalty for lack of minimum essential coverage and potential movement into other markets. Exhibit E shows the morbidity factor.

- Changes in Benefits

Changes in benefits include the following items. Exhibits E and F show these adjustment factors.

- Essential Health Benefit (EHB) Changes: Adjustments are made to reflect the expansion of preventive care - coverage of 3D Mammograms (effective 6/2017) and low dose statins (effective 12/2017) with no in-network member cost sharing, and the expansion of Anthem's smoking cessation program (effective 12/2017). Exhibit F.
- Rx Adjustments: Adjustments are made to reflect differences in the Rx formulary and mail order programs between the experience period and the projection period. Exhibit E.

- 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. Exhibit D provides detail of each normalization factor below:

- 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 subscriber'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.

- Other Adjustments

Other adjustments to the experience claims data include the following items. Exhibit E and Exhibit F show the factors used for each adjustment.

- 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.
- Grace Period: The claims experience has been adjusted to account for incidences of enrollees not paying premiums due during the first month of the 90-day grace period when the QHP is liable for paying claims.
- 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 costs 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.

- Trend Factors (cost/utilization)
  - The annual pricing trend used in the development of the rates is 8.9%. The trend is developed by normalizing historical benefit expense for changes in the underlying population and known cost drivers, which are 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 27, 2017, to the midpoint of the projection period, which is July 1, 2019. Exhibit E has details.

## 7. Credibility Manual Rate Development

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The experience period claims are 100% credible based on the credibility method used. Therefore, a manual rate was not used in the rate development.

## 8. Credibility of Experience

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- Credibility Method Used

Based on an analysis of historical data, the standard for fully credible experience is 9,282 members.

To determine credibility, the following formula was used:  $\sqrt{\text{experience period members} / 9,282}$

- Resulting Credibility Level Assigned to Base Period Experience

With 193,878 members, the credibility level assigned to the experience period claims is 100%.

## 9. Paid to Allowed Ratio

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The 'Paid to Allowed Average Factor in Projection Period' reported in Worksheet 1, Section III of the URRT is equal to the ratio of member weighted average paid claims PMPM by plan to the member weighted average allowed claims PMPM by plan for the essential health benefits. The projected membership by plan used in the weighted average is reported in Worksheet 2, Section II of the URRT.

## 10. Risk Adjustment and Reinsurance

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- Experience Period Risk Adjustment and Reinsurance Adjustments PMPM:

Experience period risk adjustments are estimated based on available 2017 information, including an independent consultant's market study and additional analysis of the market risk. The 'Net Amt of Risk Adj' reported in Worksheet 2, section III of the URRT reflects the risk adjustment transfers net of risk adjustment fees.

ACA reinsurance recoveries are no longer applicable to ACA experience, as the federal reinsurance program ended in 2016.

- Projected Risk Adjustments PMPM:

Projection period risk adjustments are estimated based on the HHS payment transfer formula. An independent consultant's study and Anthem's historical risk adjustment levels are used to develop the assumptions for the company's relative risk to the market. Projected changes in population movements and demographics that may affect risk adjustments are also considered, as well as the impact of high-cost risk pooling.

The projected risk adjustment PMPMs reported in the URRT are net of risk adjustment fees, and 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.

We have based our projection using the HHS Notice of Benefit and Payment Parameters for 2019. If the regulatory framework or insurer participation in the market change after submission given the risk adjustment program's pending litigation, proposed rates may no longer be appropriate and should be reevaluated for revision and resubmission.

## 11. Non-Benefit Expenses and Profit & Risk

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Non-benefit expenses and profit & risk margin are explained below. Exhibit H shows the amount for each component.

- Administrative Expense

Administrative Expense contains both acquisition costs associated with the production of new business through non-broker distribution channels (direct, telesales) as well as maintenance costs associated with ongoing costs for the administration of the business. Acquisition costs are based on projected cost per member applied to future sales estimates. Maintenance costs are projected for 2019 based on 2017 actual expenses with adjustments made for expected changes in business operations.



- Quality Improvement Expense

Quality Improvement initiatives include programs such as Improve Health Outcomes, Activities to Prevent Hospital Readmissions, Improve Patient Safety and Reduce Medical Errors, Wellness and Health Promotion Activities, and Health Information Technology Expenses for Health Care Quality Improvements. The expense assumptions are based on historical expense level adjusted for cost inflation and anticipated changes in the programs.

- Selling Expense

Selling Expense represents projected broker commissions and bonuses associated with the broker distribution channel. Commissions will be paid for products Both On-Exchange and Off-Exchange.

- Specialty Expenses

Specialty Expenses are projected administrative expenses for dental and vision coverage.

- Taxes and Fees

- ACA Insurer Fee: The health insurance industry is 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. In 2019, there will be a moratorium of the ACA Insurer Fee.
- Marketplace User Fee: The Marketplace User Fee applies to Exchange business only, but the cost is spread across all plans in the market. A blended fee/percentage is determined based on an assumed 88.5% of members that will purchase products On-Exchange. The resulting fee/percentage is applied evenly to all plans in the risk pool, both On and Off Exchange.
- The Marketplace User Fee is applied as an adjustment to the Market Adjusted Index Rate at the market level as shown in Exhibit C.
- Federal income taxes and state income taxes are also included.

The Risk Adjustment User Fee is reflected in the risk adjustment component of incurred claims, therefore it is not included in taxes and fees.

- Profit & Risk Margin

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

## 12. Projected Loss Ratio

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- Projected Federal MLR

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 products in this filing represent only a subset of 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.

## 13. Single Risk Pool

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The single risk pool for this filing is established according to the requirements in 45 CFR 156.80. It reflects all covered lives for every non-grandfathered product/plan combination sold in the Virginia Individual market by HealthKeepers, Inc..

## 14. Index Rate

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- Experience Period Index Rate

The experience period Index Rate is equal to the allowed claims PMPM for the essential health benefits of Anthem's non-grandfathered business in the Individual market. The Index Rate reported in Worksheet 1, Section I, cell G17 of the URRT is \$506.75. No benefits in excess of the essential health benefits have been included in this amount.

- Projection Period Index Rate

The projection period Index Rate is equal to projected allowed claims PMPM for the essential health benefits of Anthem's non-grandfathered business in the Individual market. It reflects the anticipated claim level of the projection period including impact from trend, benefit and demographics as described in Section 6 of this memo.

The projected index rate is reported in Worksheet 1, Section III, cell V44 of the URRT and is also shown in Exhibit C. No benefits in excess of the essential health benefits have been included in this amount.

## 15. 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. The two market-wide adjustments - risk adjustment and Marketplace User Fee adjustment - were described previously in the memo. In compliance with URR Instructions, these adjustments were applied on an allowed basis in the development of the Market Adjusted Index Rate, while they were reported in the URRT on a paid basis. Exhibit C illustrates the development of the Market Adjusted Index Rate.

## 16. 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. Exhibit J shows the development. The plan level modifiers are described below:

- AV and 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.
- 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 the Essential Health Benefits: A factor of 1.00 indicates that the plan does not provide benefits beyond the essential health benefits.
- Catastrophic Plan Adjustment: This adjustment reflects the projected costs of the population eligible for catastrophic plans. The catastrophic adjustment factor is applied to catastrophic plans only; all other plans have an adjustment factor of 1.0.
- Adjustments for Distribution and Administrative Cost: This is an additive adjustment that includes all the selling expense, administration and retention items shown in Exhibit H, with the exception of the Marketplace User Fee. The Marketplace User Fee has been included in the Market Adjusted Index Rate at the market level.

### **Experience Period Plan Adjusted Index Rate**

The Plan Adjusted Index Rates for the experience period are reported in Worksheet 2, Section III of the URRT. They represent the Plan Adjusted Index Rates filed in 2017.

## 17. Calibration

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The Plan Adjusted Index Rate is calibrated by the Age, Tobacco, and Geographic factors so that the schedule of premium rates for each plan can be further developed. Exhibit K shows the calibration factors.

- Age Curve Calibration

The age factors are based on the Default Federal Standard Age Curve. The age calibration adjustment is calculated as the member weighted average of the age factors, using the projected membership distribution by age, with an adjustment for the maximum of 3 child dependents under age 21. Under this methodology, the approximate average age rounded to the nearest whole number for the risk pool is 49.

- Tobacco Factor Calibration

The tobacco calibration adjustment is calculated as the member weighted average of the tobacco factors, using the projected membership distribution by age, with an adjustment for the maximum of 3 child dependents under age 21.

- Geographic Factor Calibration

The geographic factors are developed from historical claims experience. The geographic calibration adjustment is calculated as the member weighted average of the geographic factors, using the projected membership distribution by area.

## 18. Consumer Adjusted Premium Rate Development

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The Consumer Adjusted Premium Rate is calculated by calibrating the Plan Adjusted Index Rate by the Age, Tobacco, and Geographic calibration factors described above, and applying consumer specific age, geographic and tobacco status rating factors. Exhibit N has the sample rate calculations.

## 19. Actuarial Value Metal Values

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The Actuarial Value (AV) Metal Values reported in Worksheet 2, Section I of the URRT 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. When applicable, 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.

## 20. Actuarial Value Pricing Values

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The Actuarial Value (AV) Pricing Values for each plan are reported in Worksheet 2, Section I of the URRT. The AV Pricing Value represents the cumulative effect of adjustments made to move from the Market Adjusted Index Rate to the Plan Adjusted Index Rate. 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 plan level allowable modifiers to the Index Rate are included in Exhibit J and described in Section 16 above.

## 21. Membership Projections

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Membership projections are reported in Worksheet 2, Section IV of the URRT. They are based on historical and current enrollment, expected new sales and lapses, and anticipated movement from grandfathered policies.

For Silver level plans in the Individual market, the portion of projected membership that will be eligible for cost-sharing reduction subsidies at each subsidy level are estimated from the enrollment data in the experience period. Exhibit O provides projected distributions for each plan.

## 22. Terminated Plans and Products

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Exhibit P provides a listing of products from 2017 and 2018 that will be terminated prior to January 1, 2019.

Exhibit Q provides a listing of 2017 and 2018 plans that will be terminated prior to January 1, 2019. The mapping of terminated plans to the new plans is also included.

## 23. Plan Type

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The plan type for each plan reported in Worksheet 2, Section I of the URRT is consistent with the option chosen from the drop-down box.

## 24. Warning Alerts

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There are no warning alerts indicated on Worksheet 2 of the URRT.

## 25. Reliance

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

## 26. Actuarial Certification

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I, Timothy J. Connell, 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 and 147.102)
- Developed in compliance with the applicable Actuarial Standards of Practice
- Reasonable in relation to the benefits provided and the population anticipated to be covered
- Not excessive nor deficient

(2) The Index Rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 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 of the Part I Unified Rate Review Template is calculated in accordance with Actuarial Standards of Practice.

(4) The geographic rating factors reflect only differences in the costs of delivery (which can include unit cost and provider practice pattern differences) and do not include differences for population morbidity by geographic area.

(5) The most recent 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 changes, 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 Memorandum does accurately describe the process used by the issuer to develop the rates.

The rates proposed in this submission reflect the regulatory framework and insurer participation in the market as of August 3, 2018. If the regulatory framework or insurer participation in the market change after this date, proposed rates and market participation may no longer be appropriate and should be reevaluated for revision and resubmission. Issuer market entry and exit can have a significant impact on rates through the risk adjuster mechanisms in the ACA and create a need for reconsideration and revision of proposed premium rates.



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Timothy J. Connell, FSA, MAAA  
Director and Actuary I

August 21, 2018

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Date

**Exhibit A - Non-Grandfathered Rate Changes**

**HealthKeepers, Inc.  
Individual**

Rates Effective January 1, 2019

HIOS Plan Name	2019 HIOS Plan ID	On/Off Exchange	Metal Level	Network Name	Area(s) Offered	Plan Category	Plan Specific Rate Change (excluding aging) <sup>(1),(2)</sup>
Anthem HealthKeepers Catastrophic X 7900	88380VA0720015	On	Catastrophic	Pathway X Tiered Hospital	All	Renewing	-3.6%
Anthem HealthKeepers Bronze X 6500	88380VA0720031	On	Bronze	Pathway X Tiered Hospital	All	Renewing	1.6%
Anthem HealthKeepers Bronze X 5900	88380VA0720017	On	Bronze	Pathway X Tiered Hospital	All	Renewing	1.9%
Anthem HealthKeepers Bronze X 5250	88380VA0720018	On	Bronze	Pathway X Tiered Hospital	All	Renewing	1.2%
Anthem HealthKeepers Bronze X 4900 for HSA	88380VA0720020	On	Bronze	Pathway X Tiered Hospital	All	Renewing	1.5%
Anthem HealthKeepers Bronze X 5700 Online Plus	88380VA0720037	On	Bronze	Pathway X Tiered Hospital	All	New	0.0%
Anthem HealthKeepers Silver X 6100	88380VA0720036	On	Silver	Pathway X Tiered Hospital	All	Renewing	8.0%
Anthem HealthKeepers Silver X 1800	88380VA0720035	On	Silver	Pathway X Tiered Hospital	All	Renewing	0.1%
Anthem HealthKeepers Gold X 1350	88380VA0720033	On	Gold	Pathway X Tiered Hospital	All	Renewing	-28.3%

**NOTES:**

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



## Exhibit B - Claims Experience for Rate Developments

HealthKeepers, Inc.  
Individual

**Experience Rate Claims Experience**  
Incurred January 1, 2017 through December 31, 2017  
Paid through February 28, 2018

<b>PAID CLAIMS:</b>									
Incurred and Paid Claims:		IBNR:		Fully Incurred Claims:			Total	Member	Total
Medical	Drug	Medical	Drug	Medical	Drug	Capitation	Benefit Expense	Months	PMPM
\$725,606,750	\$259,193,266	\$10,657,646	\$11,619	\$736,264,396	\$259,204,885	\$1,181,859	\$996,651,139	2,326,536	<b>\$428.38</b>

  

<b>ALLOWED CLAIMS:</b>									
Incurred and Paid Claims:		IBNR:		Fully Incurred Claims:			Total	Member	Total
Medical	Drug	Medical	Drug	Medical	Drug	Capitation	Benefit Expense	Months	PMPM
\$889,878,818	\$311,376,737	\$12,520,681	\$13,649	\$902,399,499	\$311,390,386	\$1,181,859	\$1,214,971,744	2,326,536	<b>\$522.22</b>

**Note**

{1} The 'Experience Rate Claims Experience' above does not account for Transitional Plans or Rx Rebates in 'Paid Claims', whereas the claims shown in Worksheet 1, Section 1 of the URRT include them, if present.

{2} Drug Claims are processed by an external vendor.

**Exhibit C - Market Adjusted Index Rate Development****HealthKeepers, Inc.  
Individual****Rates Effective January 1, 2019**

	Experience Rate	
1) Starting Paid Claims PMPM	\$428.38	Exhibit B
2) x Normalization Factor	1.0166	Exhibit D
3) = Normalized Claims	\$435.49	= (1) x (2)
4) x Benefit Changes	1.0015	Exhibit E
5) x Morbidity Changes	1.1900	Exhibit E
6) x Trend Factor	1.1876	Exhibit E
7) x Other Cost of Care Impacts	1.0131	Exhibit E
8) = Projected Paid Claim Cost	<b>\$624.45</b>	= (3) x (4) x (5) x (6) x (7)
9) Credibility Weight	100.00%	
10) Blended Paid Claims	\$624.45	
11) - Non-EHBs Embedded in Line Item 1) Above	\$0.00	
12) = Projected Paid Claims, Excluding ALL Non-EHBs	\$624.45	= (10) - (11)
13) + Rx Rebates	-\$11.33	Exhibit F
14) + CSR Receivable	\$0.00	Exhibit F
15) + Additional EHBs	\$3.43	Exhibit F
16) = Projected Paid Claims for EHBs	\$616.55	= (12) + (13) + (14) + (15)
17) ÷ Paid to Allowed Ratio	0.7807	
18) = <b>Index Rate</b> <sup>{2}</sup>	<b>\$789.74</b>	= (16) / (17)
19) Reinsurance Contribution	\$0.00	Exhibit G
20) Expected Reinsurance Payments	\$0.00	Exhibit G
21) Risk Adjustment Fee	\$0.14	Exhibit G
22) Risk Adjustment Net Transfer	\$6.88	Exhibit G
23) Marketplace User Fee	\$22.87	Exhibit H
24) = <b>Market Adjusted Index Rate</b> <sup>{3}</sup>	\$828.02	= (18)+[(19)+(20)+(21)+(22)+(23)] ÷ (17)

## NOTE:

{1} Factors above are detailed in subsequent exhibits

{2} Index Rate is Projected Allowed Claims for EHBs only

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

## Exhibit D - Normalization Factors

**HealthKeepers, Inc.  
Individual**

Rates Effective January 1, 2019

	Average Claim Factors - Experience Rate		Normalization Factor <sup>(1)</sup>
	Experience Period Population	Future Population	
<b>Age/Gender</b>	0.9866	1.0353	1.0493
<b>Area/Network</b>	1.0153	1.0060	0.9909
<b>Benefit Plan</b>	0.8570	0.8379	0.9777
<b>Total</b>			<b>1.0166</b>

**Note**

{1} Normalization Factor = Future Population Factor / Experience Period Population Factor

## Exhibit E - Projection Period Adjustments

### HealthKeepers, Inc. Individual

Rates Effective January 1, 2019

<i>Impact of Changes Between Experience Period and Projection Period:</i>		<u>Experience Rate</u>
<b><u>Benefit changes</u></b>		
Rx adjustments		1.0015
Total Benefit Changes		1.0015
<b><u>Morbidity changes</u></b>		
Total Morbidity Changes		1.1900
<b><u>Trend &amp; Other Cost of Care impacts</u></b>		
Annual Medical/Rx Trend Rate		8.9%
# Months of Projection		24.2
Trend Factor		1.1876
Other Cost of Care:		
Induced Demand for CSR		1.0049
Grace Period		1.0082
Total other Cost of Care Impacts		1.0131

**Note**

{1} Explanation of the factors above is provided in the Actuarial Memorandum

## Exhibit F - Other Claim Adjustments

**HealthKeepers, Inc.  
Individual**

**Rates Effective January 1, 2019**

<i>Other Claim Adjustments</i>	
	<b><u>PMPM</u></b>
Rx Rebates	(\$11.33)
CSR Receivable	\$0.00
<b>Additional EHBs</b>	
Pediatric Dental	\$1.68
Pediatric Vision	\$0.69
Benefit Mandates and Other Benefit Changes	\$1.06
<b>Total - Additional EHBs</b>	<b>\$3.43</b>
<b>Additional non-EHBs</b>	
None	\$0.00
<b>Total - Additional Non-EHBs</b>	<b>\$0.00</b>

**NOTES:**

{1} This exhibit includes projected claims from lines 13, 14, and 15 of Exhibit C and additional non EHBs.

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

**HealthKeepers, Inc.  
Individual**

Rates Effective January 1, 2019

<b><u>Risk Adjustment:</u></b>		
<b>PMPM</b>	<b>User Fee <sup>{1}</sup></b>	<b>Net Transfer <sup>{2}</sup></b>
Federal Program	\$0.14	\$6.88
<b><u>Reinsurance: <sup>{3}</sup></u></b>		
<b>PMPM</b>	<b>Contributions Made</b>	<b>Expected Receipts</b>
Federal Program	\$0.00	\$0.00
<b>Grand Total of All Risk Mitigation Programs</b>		<b>\$7.02</b>

**NOTES:**

{1} For 2019, HHS established a per capita annual user fee rate of \$1.68 per year or \$0.14 per-enrollee-per-month.

{2} Projected risk adjustment transfer amount is explained in the Memorandum "Risk Adjustment and Reinsurance" Section.

{3} Federal Reinsurance Program is no longer applicable starting in 2017.

**Exhibit H - Non-Benefit Expenses and Profit & Risk****HealthKeepers, Inc.  
Individual**

Rates Effective January 1, 2019

	Expenses Applied As a PMPM Cost	Expenses Applied as a % of Premium <sup>(1)</sup>	Expenses Expressed as a PMPM <sup>(4)</sup>
Administrative Expenses			
Administrative Costs	\$29.08		\$29.08
Quality Improvement Expense	\$5.82		\$5.82
Selling Expense	\$5.00		\$5.00
Specialty Expenses	\$0.56		\$0.56
<b>Total Administrative Expenses</b>	<b>\$40.45</b>	<b>0.00%</b>	<b>\$40.45</b>
Taxes and Fees			
PCORI Fee	\$0.00		\$0.00
ACA Insurer Fee		0.00%	\$0.00
Marketplace User Fee		3.13%	\$22.87
MLR-Deductible Federal/State Income Taxes <sup>(2)</sup>		1.62%	\$11.84
<b>Total Taxes and Fees</b>	<b>\$0.00</b>	<b>4.75%</b>	<b>\$34.71</b>
Profit and Risk Margin <sup>(3)</sup>		4.38%	\$32.01
<b>Total Non-Benefit Expenses, Profit, and Risk</b>	<b>\$40.45</b>	<b>9.13%</b>	<b>\$107.16</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 and Risk Margin shown here is post-tax profit, net of those federal and state income taxes which are deductible from the MLR denominator.

{4} Anthem's Non-Benefit Expenses are applied in both PMPM and % of Premium as shown above. The last column expresses all non-benefit Expenses in PMPM only.

**Exhibit I - Federal MLR Estimated Calculation****HealthKeepers, Inc.  
Individual**

Rates Effective January 1, 2019

**Numerator:**

Incurred Claims <sup>{1}</sup>	\$616.55	Exhibit C (Line 16) + Exhibit F (Total Non-EHBs)
+ Quality Improvement Expense	\$5.82	Exhibit H
+ Risk Corridor Contributions	\$0.00	
+ Risk Adjustment Net Transfer	\$6.88	Exhibit G
+ Reinsurance Receipts	\$0.00	Exhibit G
+ Risk Corridor Receipts	\$0.00	
+ Reduction to Rx Incurred Claims (ACA MLR)	-\$14.42	Footnote <sup>{3}</sup>
<b>= Estimated Federal MLR Numerator</b>	<b>\$614.82</b>	

**Denominator:**

Premiums <sup>{2}</sup>	\$730.73	Incurred Claims + Exhibit G (Total) + Exhibit H (Total)
- Federal and State Taxes	\$11.84	Exhibit H (Federal/State Income Taxes)
- Premium Taxes	\$0.00	Exhibit H (Premium Tax)
- Risk Adjustment User Fee	\$0.14	Exhibit G
- Reinsurance Contributions	\$0.00	Exhibit G
- Licensing and Regulatory Fees	\$22.87	Exhibit H (PCORI, ACA and Marketplace Fees)
<b>= Estimated Federal MLR Denominator</b>	<b>\$695.88</b>	

**Estimated Federal MLR****88.35%** Footnote <sup>{4}</sup>**NOTES:**

{1} Incurred Claims = Projected Paid Claims for EHB (Exhibit C Line 16) + additional non EHBs (Exhibit F Total Non-EHBs)

{2} Premiums = Incurred Claims in this exhibit + Risk Mitigation Programs in Exhibit G + Non-Benefit Expenses and Profit & Risk Margin in Exhibit H

{3} This is the amount of 2019 pharmacy claims that are attributable to PBM Administrative Expenses (i.e. the 'retail spread' or 'pharmacy claims margin'). It is calculated by applying the 3rd party margin percentage to the 2019 projected Pharmacy claims including projected rebates.

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

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



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

**HealthKeepers, Inc.  
Individual**

Rates Effective January 1, 2019

HIOS Plan Name	HIOS Plan ID	Market Adjusted Index Rate (Exhibit C)	Cost Sharing Adjustment	Provider Network Adjustment	Adjustment for Benefits in Addition to the EHBS	Catastrophic Plan Adjustment <sup>(1)</sup>	Administrative Costs <sup>(2)</sup>	Plan Adjusted Index Rate <sup>(3)</sup>	Calibration Factor <sup>(4)</sup>	Consumer Adjusted Premium Rate <sup>(5)</sup>
Anthem HealthKeepers Catastrophic X 7900	88380VA0720015	\$828.02	0.5981	1.0000	1.0000	0.8169	\$53.01	\$457.58	1.7512	\$261.30
Anthem HealthKeepers Bronze X 6500	88380VA0720031	\$828.02	0.6220	1.0000	1.0000	1.0000	\$67.30	\$582.33	1.7512	\$332.53
Anthem HealthKeepers Bronze X 5900	88380VA0720017	\$828.02	0.6515	1.0000	1.0000	1.0000	\$70.47	\$609.96	1.7512	\$348.31
Anthem HealthKeepers Bronze X 5250	88380VA0720018	\$828.02	0.6345	1.0000	1.0000	1.0000	\$68.64	\$594.05	1.7512	\$339.22
Anthem HealthKeepers Bronze X 4900 for HSA	88380VA0720020	\$828.02	0.6582	1.0000	1.0000	1.0000	\$71.18	\$616.18	1.7512	\$351.86
Anthem HealthKeepers Bronze X 5700 Online Plus	88380VA0720037	\$828.02	0.6608	1.0000	1.0000	1.0000	\$71.45	\$618.59	1.7512	\$353.24
Anthem HealthKeepers Silver X 6100	88380VA0720036	\$828.02	0.8064	1.0000	1.0000	1.0000	\$87.03	\$754.73	1.7512	\$430.98
Anthem HealthKeepers Silver X 1800	88380VA0720035	\$828.02	0.8817	1.0000	1.0000	1.0000	\$95.10	\$825.13	1.7512	\$471.18
Anthem HealthKeepers Gold X 1350	88380VA0720033	\$828.02	0.8060	1.0000	1.0000	1.0000	\$87.06	\$754.42	1.7512	\$430.80

**Notes:**

{1} This adjustment reflects the projected costs of the population eligible for catastrophic plans.

{2} This is an additive adjustment that includes all the selling expense, administration and retention items shown in Exhibit H, with the exception of the Marketplace user fee. The Marketplace user fee has been included in the Market Adjusted Index Rate at the market level.

{3} 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.

{4} See Exhibit K - Calibration.

{5} The Consumer Adjusted Premium Rate is equal to 'Plan Adjusted Index Rate' divided by 'Calibration Factor'

## Exhibit K - Calibration

### HealthKeepers, Inc. Individual

Rates Effective January 1, 2019

<i>Average rating factors for 2019 population:</i>	
	<b>Calibration Factors</b>
<b>Age</b>	1.7148
<b>Tobacco</b>	1.0212
<b>Area</b>	1.0000
<b>Total Calibration Factor{1}</b>	1.7512

**NOTES:**

{1} Total Calibration factor was used in Exhibit J.

{2} Age calibration includes adjustments for membership that exceeds the three child dependent cap, as permitted by CMS per 2019 Part 3 Instructions.

**Exhibit L - Age and Tobacco Factors****HealthKeepers, Inc.  
Individual**

Rates Effective January 1, 2019

Age	Age Factors	Tobacco Factors
	2019	2019
0-14	0.765	1.000
15	0.833	1.000
16	0.859	1.000
17	0.885	1.000
18	0.913	1.050
19	0.941	1.050
20	0.970	1.050
21	1.000	1.050
22	1.000	1.050
23	1.000	1.050
24	1.000	1.050
25	1.004	1.100
26	1.024	1.100
27	1.048	1.100
28	1.087	1.100
29	1.119	1.100
30	1.135	1.150
31	1.159	1.150
32	1.183	1.150
33	1.198	1.150
34	1.214	1.150
35	1.222	1.150
36	1.230	1.150
37	1.238	1.150
38	1.246	1.150
39	1.262	1.150
40	1.278	1.200
41	1.302	1.200
42	1.325	1.200
43	1.357	1.200
44	1.397	1.200
45	1.444	1.200
46	1.500	1.200
47	1.563	1.200
48	1.635	1.200
49	1.706	1.200
50	1.786	1.250
51	1.865	1.250
52	1.952	1.250
53	2.040	1.250
54	2.135	1.250
55	2.230	1.250
56	2.333	1.250
57	2.437	1.250
58	2.548	1.250
59	2.603	1.250
60	2.714	1.300
61	2.810	1.300
62	2.873	1.300
63	2.952	1.300
64+	3.000	1.300

**NOTES:**

The weighted average of these factors for the entire risk pool included in this rate filing is provided in Exhibit K.

**Exhibit M - Area Factors****HealthKeepers, Inc.  
Individual**

Rates Effective January 1, 2019

Rating Area Description	2019 Area Rating Factor	2018 Area Rating Factor	Change
Blacksburg MSA	1.1116	1.1173	-0.5%
Charlottesville MSA	1.0341	n/a	n/a
Danville MSA	0.9812	n/a	n/a
Harrisonburg MSA	1.0413	n/a	n/a
Bristol MSA	0.9810	0.9860	-0.5%
Lynchburg MSA	1.0345	n/a	n/a
Richmond MSA	0.9640	0.9689	-0.5%
Roanoke MSA	1.0351	1.0404	-0.5%
VA Beach-Norfolk MSA	0.9845	n/a	n/a
Wash/Arl/Alex MSA	1.0027	1.0078	-0.5%
Winchester MSA	1.0076	1.0127	-0.5%
Non-MSA	0.9815	0.9865	-0.5%

**NOTES:**

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

### Exhibit N - Sample Rate Calculation

HealthKeepers, Inc.  
Individual

Rates Effective January 1, 2019

Name: John Doe  
 Effective Date: 1/1/2019  
 On/Off Exchange: On  
 Metal Level: Bronze  
 Plan ID: 88380VA0720037  
 Rating Area: 01

Family Members Covered:

	<u>Age</u>	<u>Smoker?</u>
Subscriber	47	N
Spouse	42	N
Child (age 21+)	25	Y
Child #1	20	N
Child #2	16	N

Calculation of Monthly Premium:

Consumer Adjusted Premium Rate \$353.24 Exhibit J  
 x Area Factor 1.1116 Exhibit M  
 Rate Adjusted for Area = \$392.67

Age/Tobacco Factors:

	<u>Age Factor</u>	<u>Tobacco Factor</u>
Subscriber	1.563	1.000
Spouse	1.325	1.000
Child (age 21+)	1.004	1.100
Child #1	0.970	1.000
Child #2	0.859	1.000

Exhibit L

Final Monthly Premium PMPM:

	<u>PMPM</u>
Subscriber	\$613.74
Spouse	\$520.29
Child (age 21+)	\$433.66
Child #1	\$380.89
Child #2	\$337.30
<b>TOTAL</b>	<b>\$2,285.88</b>

**NOTES:**

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.

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

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

HealthKeepers, Inc.  
Individual

Rates Effective January 1, 2019

<b>Silver Plan</b>	<b>Projected Membership by Subsidy Level:</b>				
<b><u>HIOS Standard Component Plan ID</u></b>	<b><u>Zero Cost Sharing</u></b>	<b><u>100-150%</u></b>	<b><u>150%-200%</u></b>	<b><u>200%-250%</u></b>	<b><u>Standard</u></b>
88380VA0720036	15	17,657	20,639	16,053	7,629
88380VA0720035	2	2,277	2,662	2,070	984

## Exhibit P - Terminated Products

HealthKeepers, Inc.  
Individual

Effective January 1, 2019

<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>
N/A	N/A
<b>Post ACA Terminated Products</b>	
<b>HIOS Product ID</b>	<b>HIOS Product Name</b>
N/A	N/A

**NOTES:**

{1} This exhibit may include a greater number of HIOS Product IDs than the URRT, WS2, as this list additionally includes terminated Product IDs that were introduced after the experience period.

