

PART II – Written Description Justifying the Rate Increase

Anthem Health Plans of Maine Maine Individual ACA Rate Change Effective 1-1-2017

Scope and range of the rate increase

Anthem Health Plans of Maine (Anthem) has made an application to the Maine's Bureau of Insurance for premium rate changes for its ACA-compliant individual health plan products. This increase will impact approximately 16,763 Maine members renewing in 2017 with Anthem. At the individual plan level, rate increases range from 7.6% to 19.4%, with an average increase of 14.1%.

A subscriber's actual rate could be higher or lower depending on the benefit plan selected, geographic location, age characteristics, and dependent coverage.

Financial experience

Anthem expects the proposed rate increase will cover projected medical trends and yield a medical loss ratio of 86.67 percent on an ACA basis, meaning at least 86.67 cents of each premium dollar are expected to go to covering our members' medical expenses and improving health care quality. Please note that this MLR calculation is purely an estimate and not meant to be a true measure for Federal or State MLR rebate purposes. Also note that the projected Federal MLR presented here does not capture all adjustments, including but not limited to: three year averaging, credibility, and deductible. Anthem's projected MLR is expected to meet or exceed the minimum MLR standards at the market level after including all adjustments. In the event Anthem's MLR is less than the Federal required minimum, Anthem will refund the difference to policyholders.

Changes in medical service costs

The primary driver of the rate increase in the filing is the continued increase in the cost of healthcare. This is driven by increases in the price of services, or unit costs, primarily from hospitals, physicians and pharmaceutical companies, coupled with increases in the consumption of services, or utilization, by members. Increases in the unit costs of services are driven by technology advances, new medications such as for Hepatitis C, general inflationary pressures, and a variety of other factors. Changes in utilization of services can be driven by the aging of the population, benefit design and many other factors.

The Individual ACA market also is experiencing the phase-out of the federal reinsurance program. In 2017, the program will be phased out completely. Premiums must be set to cover the reduced reimbursement, as insurers now assume the entire risk for these high-cost members.

Anthem is committed to working to hold down the cost of insurance. We continue to offer innovative collaboration with providers such as our EPHC program with primary care doctors. We negotiate deeper discounts at our hospitals and provide members with tools to make informed decisions about where and how to receive treatment.