

PART II -- Written description justifying the rate increase

Anthem HealthKeepers, Inc. (NAIC 95169)
Consumer Disclosure for Proposed Health Insurance Rate Increase
Individual Plans
Rate Change Effective January 1, 2017

Scope and Range of the Rate Increase

Anthem Healthkeepers, Inc. has made an application to the Virginia Bureau of Insurance for premium rate changes for its fully ACA-compliant individual health plan products. This increase will impact approximately 190,000 Virginia members renewing on 1/1/2017 with Anthem. At the individual plan level, rate increases range from 9.3% to 22.6%. We expect most individuals will have an increase over 10%.

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

Financial Experience

Anthem expects the proposed rate increase will cover projected medical trends and yield a medical loss ratio of 84.6% on an ACA basis, meaning more than eighty-four cents of each premium dollar are expected to go to covering our members' medical expenses and improving health care quality. This projected MLR of 84.6% exceeds the minimum MLR requirement of 80% as defined in the Affordable Care Act (ACA). In the event Anthem's MLR is less than the Federal required minimum for a three year period, Anthem will refund the difference to policyholders.

Drivers of Rate Increase

The primary drivers of premium increases are associated with increases in the price of services primarily from hospitals, physicians and pharmacies, coupled with our members increasing their use of health care services, also called "utilization". Increases in the price of services are driven by technology advances, new medications such as for Hepatitis C, and a variety of 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 we provide members with tools to make informed decisions about where and how to receive treatment.