

**EXHIBIT 13b: NARRATIVE SUMMARY**

Company Name:	<u>Anthem HP, LLC</u>
NAIC Code:	<u>16574</u>
SERFF Tracking #:	<u>AWLP-134536531</u>
Market Segment:	<u>Individual</u>



1 Penn Plaza, New York, NY 10119, Telephone (212) 476 1000

*REQUEST OF:*

**ANTHEM HP, LLC**

*TO:*

**THE DEPARTMENT OF FINANCIAL SERVICES of the STATE OF NEW YORK**

*FOR APPROVAL OF COMMUNITY RATE CHANGES*

**Updated May 15, 2025**

**NARRATIVE SUMMARY**  
**[DFS and policyholder – for public posting]**

**I. OVERVIEW**

Anthem HP, LLC (Anthem) has made an application to the Superintendent of Financial Services to adjust premium rates for health insurance available to individual customers.

These individual customers and their covered dependents are combined, by long standing New York law, in what is known as a community rated pool. All members enrolled in the pool plans are guaranteed issuance of coverage and each contract holder is charged the same premium rate as any other contract holder for the health insurance product they select regardless of health status, age, sex, or other demographic factors other than the region of the State where they reside and family type.

All medical, hospital, pharmacy, and other non-specialty covered care and necessary administrative costs are combined, by law, in the pool in order to determine appropriate premium rates. These premium rates must support sufficient, sustainable reserves for both current and future coverage costs related to community pool products on a stand-alone basis. Current approved rates for Anthem's community pool products are in need of an increase to account for the rising costs incurred as provider charges continue to rise and utilization of services increases.

The products specifically impacted by rate increases at this time are individual policies sold by Anthem, (NAIC code number 16574). The rate adjustments impact both on-exchange and off-exchange policies. The actual rate increases requested are provided below. Anthem's proposed rates are subject to review and approval by the New York Department of Financial Services ("the Department"), with the determination by the Department supported by sound actuarial assumptions and methods. The rates currently in effect were filed with the Department on May 15, 2024 (SERFF number: AWLP-134096105) and subsequently approved by the Department for use in 2025. The 2026 rate applications will be submitted to the Department for approval on May 15, 2025 and the approved rates will be communicated to the impacted parties upon completion of the Department's review and are scheduled to be effective on January 1, 2026.

Anthem is required by New York State law to develop rates that are actuarially sound, assume at least 82% of premium revenue will be spent on health care costs, cover all claim costs, and also contribute to claims reserves. The percent of premium attributable to claims is essentially how much of the premium dollar is used to pay claims and is referred to as the Medical Loss Ratio (MLR). The actual MLR may vary over time based on changes in the amounts charged by hospitals, physicians, and other providers, as well as the increase in health care trend or inflation and health care utilization by our members. With the proposed rate adjustments, Anthem's overall MLR is expected to remain above the 82% minimum allowable ratio. In the event Anthem's MLR does not meet the required minimum, Anthem will refund the difference to policyholders.

Anthem has attempted to limit the rate increases to the lowest feasible level while preserving the financial integrity of the products. This rate action is intended to keep the rates at an adequate level to compensate for both anticipated utilization and the annual increases in the cost of medical care (*See description of health care costs below*).

Periodic rate adjustments are necessary to secure the ability of Anthem, like any health insurer, to produce sufficient revenue and surplus for reserves to assure continued coverage and claim payments both for current healthcare needs and potential catastrophic cost situations. Anthem's reserves vary from year to year based on actual healthcare costs incurred. Failing to meet the minimum statutory reserves will result in the insurer being deemed "impaired" under the New York Insurance Law. These reserves are the "insurance" that ensures payment even when costs run higher than anticipated or emergencies or disasters occur and should not be used as an alternative fund to temporarily reduce rate adjustments.

In filing this rate application, we are sensitive to the fact that individuals struggle to afford health insurance coverage and we are seeking the appropriate premium necessary, as determined by our actuaries, to maintain a viable health plan. In our actuarial judgment it is clear that an increase in premiums is critical to ensure the viability of these products. Failure to approve these rates will likely lead to even greater rate increases and fewer product offerings in the future as claim costs will eventually exceed premiums collected.

## **II. FACTORS CONTRIBUTING TO THE PROPOSED RATE INCREASE**

### **Escalating Health Care Costs**

The cost of health care services and equipment continues to be the primary reason for rate increases. A report by Mercer shows health care cost grew by 4.5% in 2024 and projects another sharp increase of 5.8% for 2025.<sup>1</sup>

Health care cost and spending trends reflect underlying changes in the demographics and health status of America's population. The aging population is driving some of the increase – as people age, they typically utilize more health services. Between 2010 and 2050, the population aged 65 and older is expected to double, as the “baby boomer” population ages and life expectancy continues to rise<sup>2</sup>. Indeed, the first baby boomers have now turned seventy and the percentage of workers over 65 is greater than at any period in history. As this population ages it will correspond to a further escalation of costs. Moreover, the country's general declining health and the increase in obesity and other health concerns, even at younger ages, forces average costs upward.

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<sup>1</sup> Mercer's National Survey of Employer-Sponsored Health Plans 2024, September 2024

<sup>2</sup> Center for Medicare & Medicaid Services, THE NEXT FOUR DECADES The Older Population in the United States: 2010 to 2050

### Hospital

Hospitals (inpatient and outpatient care) account for the largest share of the health care premium dollar in New York, a percentage that continues to grow. Factors driving this growth include increasing demand for care, rising costs to hospitals of the goods and services needed to provide care, and the growing intensity of care needs.

### Prescription Drugs

Specialty drugs account for one of the biggest health benefit cost drivers. A report by Mercer explains that in 2024, the drug benefit cost per employee rose 7.2%. Additionally, specialty drug trends are expected to increase as more breakthrough gene and cellular products enter the market.<sup>3</sup>

### **American Rescue Plan Act**

The 2026 rate filing reflects the expected impact to the health of the ACA risk pool as well as the financial and membership impacts due to the expiration of the enhanced ACA premium tax credits under the American Rescue Plan Act.

### **III. ADMINISTRATIVE SAVINGS**

Recognizing the impact that rate increases will have on our customers, Anthem attempts to mitigate their impact by controlling and, if possible, reducing selected administrative costs to offset increases that are necessary or beyond our control. Our corporate culture emphasizes continuous improvements in all areas of the company with a focus on administrative savings and improving member and customer services. While we continue to strive to judiciously reduce administrative costs further, we want to avoid sacrificing customer service, which we believe would be at risk by further cost reductions.

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<sup>3</sup> Mercer's National Survey of Employer-Sponsored Health Plans 2024, September 2024

#### **IV. HISTORICAL FACTORS**

##### **State and Federal Taxes**

New York adds more insurance taxes and assessments than any other state in the country. These consist of both direct taxes and a number of indirect taxes amounting to an annual total of over \$5 billion in taxes passed on to New York healthcare customers in the form of higher premiums. These taxes include:

- NYS Premium Tax – this 1.75% tax is on all HMO and insurance contracts (and there is an additional amount for customers in the Metropolitan Transit Authority service area).
- Covered Lives Assessment – this indirect tax is a charge on all fully and self- insured “covered lives”. The purpose of the Covered Lives Assessment is to raise funds for a variety of state programs and for the state budget. The Assessment is included in claims costs for purposes of calculating the MLR. This assessment is currently a charge ranging from \$3.52 to \$15.93 per individual contract per month and from \$11.62 to \$52.57 per family contract per month.
- HCRA Surcharge – this is a 9.63% surcharge on all hospital discharges. The purpose of the HCRA Surcharge is to raise funds for a variety of state programs and for the state budget. The Surcharge is included in claims costs for purposes of calculating the MLR.
- NYS Insurance Department “206” Assessment – while this assessment is intended to fund the cost of the Department’s regulatory activities, it constitutes an indirect tax whereby a large portion of the revenue generated by the assessment continues to be used to fund other programs not directly related to insurance regulation. This assessment is charged to insurers based on their premium volume.

Each of these current taxes and fees contribute significantly to the cost of coverage and will vary from year to year as the number of covered lives increases or decreases and the number of hospital discharges vary.

#### **V. DETAILS OF THE PROPOSED RATE INCREASE**

The proposed premium rates affect approximately:

- 23,800 on-exchange individual members
- 360 off-exchange individual members

Premium rates for community-rated customers are regulated by the Superintendent of Financial Services pursuant to Section 4308 of the Insurance Law. The following tables show proposed annual rate changes for the indicated community rated products:

2026 Plan Name	Rating Area 1	Rating Area 3	Rating Area 4	Rating Area 7	Rating Area 8
Anthem Gatekeeper X, Catastrophic, ST, INN, Individual Network, Pediatric Dental	15.1%	13.4%	10.2%	9.6%	9.6%
Anthem Gatekeeper X, Bronze, ST, INN, Individual Network, Dep 25, Pediatric Dental	15.2%	13.4%	10.3%	9.7%	9.7%
Anthem Gatekeeper X, Silver, ST, INN, Individual Network, Dep 25, Pediatric Dental	15.2%	13.4%	10.3%	9.7%	9.7%
Anthem Gatekeeper X, Gold, ST, INN, Individual Network, Dep 25, Pediatric Dental	15.2%	13.4%	10.3%	9.7%	9.7%
Anthem Gatekeeper X, Platinum, ST, INN, Individual Network, Dep 25, Pediatric Dental	15.2%	13.4%	10.3%	9.7%	9.7%

**EXHIBIT 13a: NUMERICAL SUMMARY AND RATE INDICATION CALCULATION**

**NUMERICAL SUMMARY**

<b>Company</b>	Anthem HP, LLC
<b>NAIC Code:</b>	16574
<b>SERFF Tracking #:</b>	AWLP-134536531
<b>Market Segment:</b>	Individual

- 1 Please complete the Numerical Summary below as well as the Narrative Summary (a separate attachment) for each market segment for which a rate filing is being submitted.
- 2 The Narrative Summary must be in plain English and should clearly and simply explain the reasons for the requested rate adjustment (This should be included in the provided blank template "2026 Exhibit 13b - Narrative Summary.docx")
- 3 The purpose of the Narrative Summary is to provide a written explanation to the company's policyholders to help them understand the reasons why a rate increase is needed.
- 4 The purpose of the Numerical Summary is to provide a clear and simple overview of the requested rate adjustment.
- 5 These Summaries (with the exception of the Rate Indication Calculation Section) will be public documents and will be posted on DFS's website and furnished by DFS to the public upon request.
- 6 The company should submit these Summaries to DFS ten (10) days before submitting a rate adjustment filing.
- 7 A draft of these Summaries and of the Initial Notice must be included in a "Prior Approval Pre-filing" submitted to DFS via SERFF.
- 8 Once reviewed by DFS, these Summaries must be posted to a location on its website that is publicly available and accessible without the need for a user ID/password.
- 9 Links should be provided on key pages of the company's website so that the information may be easily located.
- 10 Any change(s) made to the Narrative Summary/Numerical Summary subsequent to the posting must be submitted to DFS with the specific change(s) identified.
- 11 Rate Change Adjustment calculations between Year 2025 and 2026 should be based on the DFS Membership Survey data as of 3/31/2025.
- 12 This exhibit must be submitted as an Excel file and as a PDF file.

**A. Average 2025 and 2026 Premium Rates:**

- 1 Weighted Average Monthly Base Premium Rates are as calculated in Row 32 of the appropriate columns in Exhibit 13c (Columns L-P for 2025 and Columns U-Y for 2026)
- 2 Premium Rates for 2026 should be Consistent with the Premium Rates reflected in Exhibit 23.

	Average Individual Rate Platinum		Average Individual Rate Gold		Average Individual Rate Silver		Average Individual Rate Bronze		Average Individual Rate Catastrophic	
2025 Weighted Average Base Premium Rates	\$	1,534.33	\$	1,288.77	\$	1,033.18	\$	756.07	\$	334.36
2026 Weighted Average Base Premium Rates	\$	1,692.35	\$	1,420.86	\$	1,139.60	\$	834.29	\$	368.85

From Row 32, Columns L-P of Exhibit 13c  
From Row 32, Columns U-Y of Exhibit 13c

**B. Weighted Average Annual Percentage Requested Adjustments:**

	2025 to 2026	2025 Weighted Average PMPM Rate All - Metals	2026 Weighted Average PMPM Rate All - Metals
Requested Rate Adjustment	10.30788%	\$ 891.15	\$ 983.00

From Cells Q-74 and Z-74 of Exhibit 13c

**C. Weighted Average Annual Percentage Adjustments for each of the Past Two Years [If Applicable]\*:**

	2023 to 2024	2024 to 2025
Average Rate Adjustment Requested	20.700000%	14.500000%
Average Rate Adjustment Approved	8.600000%	12.700000%

**D. Average Medical Loss Ratios [MLR] for All Policies Impacted [Ratios of Incurred Claims to Earned Premiums] [If Applicable]\*:**

	2022	2023	2024	Projected 2025	Projected 2026
MLR	83.1%	94.2%	86.6%	85.0%	89.7%

**E. Claim Trend Rates and Average Ratios to Earned Premiums [Per Exhibit 18 Supplement for 2021-2023 and Comparable Exhibits for 2021] [If Applicable]\*:**

	2024	2025	2026
Annual Claim Trend Rates	5.8%	8.3%	9.4%
Expense Ratios	6.4%	8.3%	8.1%
Pre Tax Profit Ratios	-0.1%	2.0%	2.0%

\* If no products were offered in a particular year, indicate "N/A" in the applicable box.