

### CareSource Consumer Justification Narrative

CareSource Kentucky Co. (CareSource) began offering health exchange coverage in 2015 to Kentucky residents in 16 counties. In 2016 and 2017 CareSource expanded the number of counties we offer our plans in to a total of 46 and 61, respectively. For 2018 CareSource will continue to offer health exchange coverage in these counties with the addition of new plan offerings to provide consumers with greater choice.

CareSource's 2018 premiums are based on our 2016 claims experience. The amount of premium collected in 2016 was not sufficient to cover all of CareSource's claims and administrative expenses incurred by members in the plan during that time period. This imbalance in revenue versus expense to the plan is a contributor to the 56.0% premium increase requested from 2017 to 2018. Medical and prescription drug inflation make up approximately 5% of the increase as the cost per service and the number of services sought continue to increase. Additionally, a Kentucky health insurer will exit the ACA Marketplace for 2018 plan year, increasing the overall health risk of the KY Marketplace due to plan selection bias where only consumers with the greatest need for health insurance maintain coverage while healthier consumers may exit the market entirely causing increases in member claims costs. Uncertainty around cost-sharing reduction (CSR) funding is another contributor to the 2018 rate increase. CareSource will require increases in premium in order to adequately fund CSR liabilities. Lastly, a major contributor to the premium increase for 2018 is the addition of premier health providers to our provider network. We believe increasing CareSource's provider network breadth will provide greater choice and quality to consumers in Kentucky. Our mission in each market in which we operate is to support those most in need of healthcare services. Even with an increase to our premiums we believe that CareSource's product offering in Kentucky will be competitive amongst the options that will be available to consumers in 2018.