Blue Cross and Blue Shield of Alabama
HIOS Issuer ID: 46944

Part III Actuarial Memorandum and Certification
Refiling per CMS guidance for Columbus II July 16, 2026 Stay Order

Individual Market
Effective January 1, 2027

August 17, 2026

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Blue Cross and Blue Shield of Alabama
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Individual Market
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Section 1: General Information

This actuarial memorandum and corresponding actuarial certifications are being refiled per CMS guidance issued July 31, 2026, to reflect changes required by the Stay Order filed July 16, 2026 in the United States District Court of Maryland, Case 1:26-cv-02215-BAH.

This actuarial memorandum and corresponding actuarial certifications are submitted in support of the United States Department of Health and Human Services' ("HHS") "Part III: Actuarial Memorandum and Certification Instructions" described in the most recent publication which is the document titled "Unified Rate Review Instructions, Rate Filing Justification: Parts I, II, and III. Effective for Plan Years Starting on or after January 1, 2027." This document provides information related to "Part I: Unified Rate Review Template v8.2" ("URRT") for Blue Cross and Blue Shield of Alabama's ("BCBSAL") non-grandfathered, Individual Market health plans for rates effective January 1, 2027.

This memorandum contains data, analyses, and explanations supporting the assumptions and methodology used in the premium rate development for products in the Individual Market. This includes specific support of the inputs and underlying assumptions used to populate the URRT. The contents of the memorandum are intended to demonstrate the reasonableness of the resulting Individual Market premium rates, as well as document that those rates have been developed in compliance with the market rating rules as established under the Affordable Care Act ("ACA") and in accordance with sound actuarial principles.

This memorandum generally follows the format outlined in the aforementioned HHS instructions.

General Information

Table 1.1 and 1.2 provide identifying information and primary contact information.

Table 1.1: Company Identifying Information	
Company Legal Name:	Blue Cross and Blue Shield of Alabama
State with Regulatory Authority:	Alabama
HIOS Issuer ID:	46944
Market:	Non-Grandfathered Individual
Effective Date:	January 1, 2027

Table 1.2: Primary Company Contact Information	
Name:	[redacted]
Title:	
Telephone Number:	
Email Address:	

Health Benefit Plans

Table 1.3 provides information about the plans for which this Actuarial Memorandum applies. For the remainder of this Memorandum, only Plan Names are referenced.

Table 1.3: Individual Market Plans				
Market	**Product ID**	**Plan ID**	**Plan Name**	**Exchange**
[redacted]				

The Zero and Limited plan variations associated with the Blue HSA Bronze base plan have the same Product ID and the same first 14 characters of the Plan ID as the base plan, but are named Blue Bronze as the Zero and Limited plan variations are not truly HSA eligible plans.

Section 2: Proposed Rate Change(s)

BCBSAL will continue to offer in 2027 all plans offered in 2026. BCBSAL will also offer two new plans in 2027:

[redacted]

Exhibit 2.1 (see Appendix) provides the components of the average rate change. While the premium rates were not developed using the method shown in Exhibit 2.1, it is provided for illustrative purposes, and as a reasonableness check of the overall average rate change. Please note that the components of the total required rate change as shown in Exhibit 2.1 are multiplicative rather than additive and unrounded values were used in the calculation.

Exhibit 2.2 (see Appendix) shows the proposed average rate change by plan.

The proposed rate change is not the same across all products and plans. The plan level rate changes shown in Exhibit 2.2 reflect the impact of benefit changes for each plan and the change in the CSR adjustment factors. Such rate variation by plan reflects neither potential nor existing differences in morbidity.

The cost sharing changes made to these plans are intended to maintain Actuarial Values ("AVs") within the appropriate de minimis ranges and to keep up with changes in the cost and utilization of medical care.

The Overall Average Rate Change shown in Exhibit 2.2 is based on the member-weighted average using the actual April 2026 enrollment distribution across plans.

The main considerations for the proposed rate changes are:

- Projected medical inflation and utilization as indicated in Section 5: Trend Factors,
- Anticipated changes in the average morbidity of the covered population as indicated in Section 6: Morbidity Adjustment,
- Projected risk adjustment transfers, and
- Emerging 2026 experience, more adverse than expected.

Other factors affecting the proposed rates are:

- Changes in member cost sharing and network coverage (varies by plan),
- Changes in retention loads as indicated in Section 14: Admin, Taxes and Fees, and
- The projection of the required Cost Sharing Reduction (CSR) Adjustment factor.

Exhibit 2.3 (see Appendix) shows the average 21 year-old non-tobacco rates and rate changes by plan.

Section 3: Experience and Current Period Premium, Claims, and Enrollment

Experience for the Single Risk Pool during the experience period reported in Worksheet 1, Section I, of URRT, includes all non-grandfathered health plans in the Individual Market.

Experience Period
12 months of calendar year 2025 based on the claim incurred date

Experience Period Paid Through Date
May 31, 2026

Current Date
Current enrollment and premium found in Section 2 of Worksheet 2 is reported as of April 30, 2026.

Premiums (net of MLR Rebate) in Experience Period
The reported premium in Section I of Worksheet 1

1. Reflects premiums earned during the experience period by BCBSAL,
2. Does not reflect any reductions prescribed by HHS when calculating BCBSAL's MLR, such as taxes and assessments,
3. Does not reflect risk adjustment payables or receivables, and
4. Does not reflect MLR rebates.

Allowed and Incurred Claims Incurred During the Experience Period
When estimating Incurred but not Paid ("IBNP") for URRT, BCBSAL varied the methodology across three claim classifications. Each methodology, where appropriate, used historical claim data from BCBSAL's Individual non-grandfathered block of business.

(1) Initial Claims (overwhelming majority of URRT incurred claims)

IBNP was estimated by applying completion factors to experience period claims where completion factors were based on the Development (or Lag) Method referenced in paragraphs 2.5 and 3.4.1 of Actuarial Standard of Practice No. 5, "Incurred Health and Disability Claims."

A separate set of completion factors was developed for each incurred month during the experience period for each of the following benefit categories.

(a) Inpatient Hospital,
(b) Outpatient Hospital,
(c) Professional,
(d) Other Medical, and
(e) Prescription Drugs.

Allowed claims were developed by combining incurred claims with member cost sharing.

Allowed claims and incurred claims used the same set of completion factors.

(2) Drug and Medical Rebates

IBNP was estimated by subtracting actual rebates paid from ultimate rebates. Ultimate rebates were derived by applying completion factors to actual rebates.

(3) Capitation Payments

IBNP is $0.

For Rebates and Capitation Payments, allowed claims equal incurred claims.

Regardless of classification, all claims are combined within the six benefit categories listed in Section 2, of Worksheet 1, of the URRT.

The resulting IBNP estimates are neither unusually high nor unusually low relative to historical levels as completion factors were developed as a function of historical completion rates applied to the experience period claims.

As expected, the IBNP estimate is stable given the experience period is calendar year 2025 with claims paid through May 31, 2026, the large size of the block of business, and the historical consistency of the claims processing system.

Exhibit 3.1 (see Appendix) shows incurred claims during the experience period by Benefit Category. The incurred claims total in Exhibit 3.1 equals that of “Incurred Claims in Experience Period,” from Section I, of Worksheet 1, of URRT.

Exhibit 3.2 (see Appendix) shows allowed claims during the experience period by Benefit Category. The allowed claims total in Exhibit 3.2 equals that of “Allowed Claims,” from Section I, of Worksheet 1, of URRT.

Table 3.3 shows the column heading definitions.

While incurred claims and allowed claims used the same completion factors, the year 2025 completion factor for a benefit category may differ between Exhibit 3.1 and Exhibit 3.2 because:

(1) For the classification of “Initial Claims,” completion factors were derived and applied separately for each incurred month within 2025. To the extent that incurred claims and

allowed claims are distributed differently across months, the overall completion factor will differ between incurred claims and allowed claims, and

(2) For all other classifications incurred claims and allowed claims are equal. By mixing these claims with claims associated with "Initial Claims" within a benefit category, the overall completion factor will differ for incurred claims and allowed claims.

The benefit category of Prescription Drug has a sizable amount of "Out System" claims. These "Out System" claims are comprised of drug rebates and drug claims adjudicated by the Pharmacy Benefit Manager (PBM).

Table 3.3: Column Heading Definitions

Heading	Definition
In System	Claims processed through BCBSAL's claim system
Out System	Claims processed outside of BCBSAL's claim system
IBNP	2025 Claims incurred but not paid as of 05/31/2026 which is the sum of "Reported but Unpaid" and "Incurred but not Reported." IBNP is the total of IBNP from "In System" and "Out System."
Total	= In System + Out System + IBNP; ultimate claims
Completion Factor	= (In System + Out System) / Total; paid claims as a % of ultimate claims

The Appendix provides the 2025 Supplemental Health Care Exhibit annual filing. The data in the 2025 Supplemental Health Care Exhibit do not equal the experience period data (year 2025) used in the URRT in the development of 2027 rates due to differences in requirements, instructions, and timing. For example, the URRT excludes Grandfathered coverages which are included in the Supplemental Health Care Exhibits.

Section 4: Benefit Categories

Claims in the experience period were assigned to one of the following categories based on indicators (e.g. location of service, type service, claim form UB04/CMS 1500, etc.) associated with the claim data. These assignments mostly follow the definitions given below.

Inpatient Hospital (Utilization Unit: Days)

Includes non-capitated facility services for medical, surgical, maternity, mental health and substance abuse, and other services provided in a facility setting on an inpatient basis and billed by the facility.

Outpatient Hospital (Utilization Unit: Services)

Includes non-capitated facility services for surgery, emergency room, lab, radiology, therapy, observation and other services provided in a facility setting on an outpatient basis and billed by the facility.

Professional (Utilization Unit: Services)

Includes non-capitated primary care, specialist, laboratory, radiology, and other professional services that are billed directly by the provider.

Other Medical (Utilization Unit: Services)

Includes non-capitated ambulance, home health care, therapy, DME, chiropractic, prosthetics, supplies, and other services as well as all out-of-network services.

Capitation (Utilization Unit: Benefit Period)

Includes all services provided under capitated arrangements.

Prescription Drug (Utilization Unit: Prescriptions)

Includes drugs dispensed by a pharmacy. This amount is net of rebates received from Pharmacy Benefit Manager.

Section 5: Trend Factors

BCBSAL cost and utilization projection trends by benefit category are determined by examining:

- experience trends,
- provider reimbursement arrangements,
- utilization patterns by benefit category, and
- any pending changes for reimbursement or utilization.

Exhibit 5.1 (see Appendix) shows the components of trend broken into Year 1 (2026) and Year 2 (2027). Trends were selected using actuarial judgement with considerations for changes in demographics, benefits, seasonality, and one-time events.

Since the current URRT instructions do not define a methodology for reflecting the change in allowed cost due to the expected shift in distribution of members by product between the experience period and the projection period, BCBSAL elected to adjust the underlying utilization trends for all benefit categories excluding Capitation.

Exhibit 5.2 (see Appendix) shows the calculation for the value of the change in product mix. The allowed relativities used were derived from the Milliman Managed Care Rating Model, which was calibrated to BCBSAL's Individual experience.

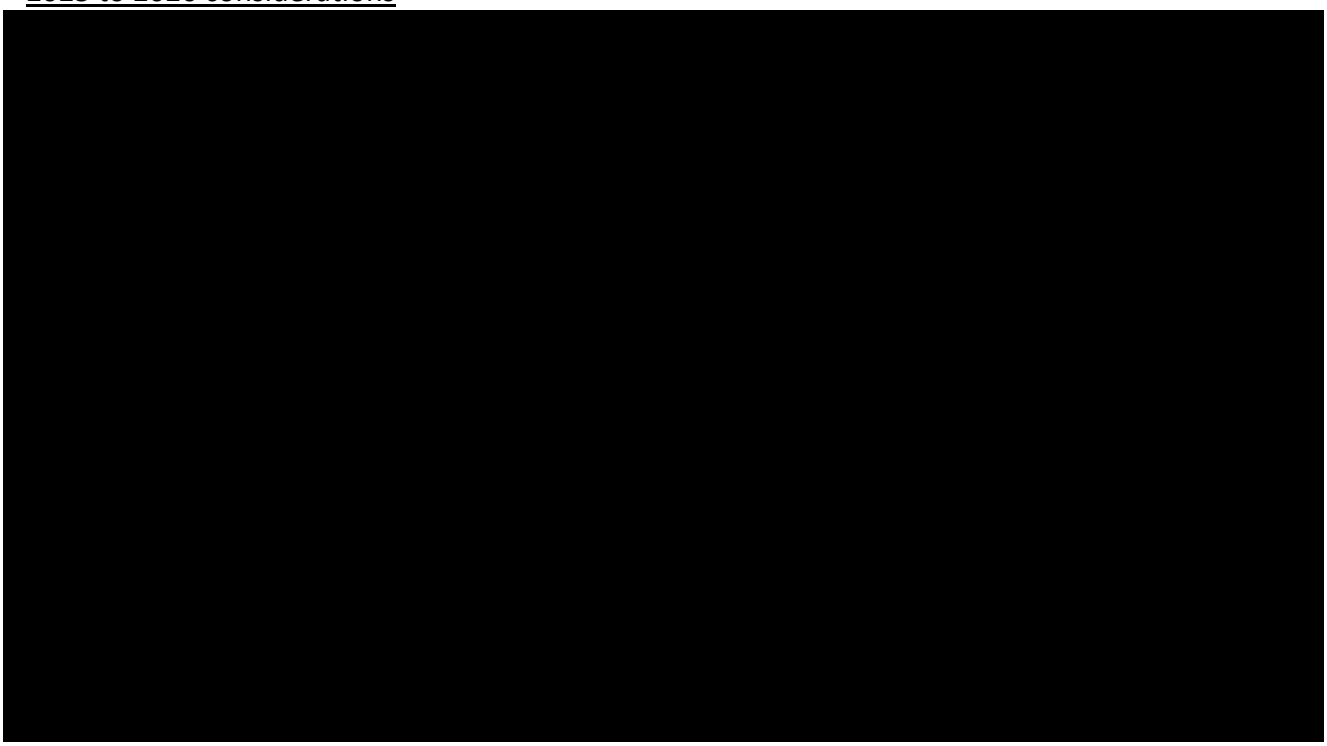
Exhibit 5.3 (see Appendix) shows the product mix adjusted trend factors by benefit category for Year 1 and Year 2. This exhibit combines information from Exhibits 5.1 and 5.2.

Section 6: Morbidity and Other Adjustments

Morbidity Adjustment

BCBSAL developed the expected Individual Market morbidity factor for 2027 based on available data on Individual Market members through April 2026. The following is a non-exhaustive list of considerations that went into the morbidity factor development.

2025 to 2026 considerations



2026 to 2027 considerations

For 2026 and 2027, BCBSAL derived morbidity trend factors by using currently available data and actuarial judgement to make assumptions about changes to the Individual Market in Alabama.

[redacted]

Available data includes:

- 2025 Risk Adjustment transfers by issuer
- 2025 member months by issuer
- Members by issuer and metal level as of 3/31/2026 provided by AL DOI
- The number of members who remained on a BCBSAL plan from 2025 to 2026
- CMS effectuated marketplace enrollment data for February 2026

Assumptions made for 2025 data:

[redacted]

Assumptions made for 2026:

- For BCBSAL

[redacted]

Assumptions made for 2027:

[redacted]

Other Adjustments

BCBSAL is not making any adjustments to this filing that are not otherwise and elsewhere addressed in this rate development.

Consequently, the “Other” factor used in Section II of Worksheet 1 is 1.000.

Section 7: Demographic Shift

Demographic changes were estimated using:

- BCBSAL's projected member months,
- BCBSAL's area rating factors,
- BCBSAL's tobacco rating factor, and
- Age curve described in the State of Alabama Department of Insurance Bulletin No. 2020-17 which is included in the Appendix of this Actuarial Memorandum.

Area Factor Adjustment

The rating areas used are the Alabama geographic rating areas listed in the State of Alabama Department of Insurance Bulletin No. 2013-04 located in the Appendix.

The proposed 2027 area rating factors were developed:

-
  1) Geographic proximity of rating areas,
  2) Data consistency across the [redacted] and
  3) Rate impact for renewing policies from changing the area factors.

Exhibit 7.1 (see Appendix) shows BCBSAL's current and proposed area rating factors.

Exhibit 7.2 (see Appendix) shows the development of the Average Area Factor for the:

- Experience Period as the dot product of:
  1) 2025 Actual Enrollment Distribution, and
  2) Proposed Area Factors.
- Projection Period as the dot product of:
  1) 2027 Projected Enrollment Distribution which is the actual April 2026 enrollment distribution, and
  2) Proposed Area Factors.

[redacted]

Age Factor Adjustment

BCBSAL used the age curve described in the State of Alabama Department of Insurance Bulletin No. 2020-17 (see Appendix) in calculating the average age factor for both the experience period and the projection period. The average age factor for the projection period was calculated by analyzing historical membership, average age factor, and monthly percentage change in average age. This development can be seen in Exhibits 7.3 and 7.4 (see Appendix).

In the exhibits, the Monthly Change is the actual change in the average age factor by month. BCBSAL used the Monthly Change impact in the historical data as a basis for the Monthly Change impact in the projected data. 2027 open enrollment is expected to see a slight increase to the average age, similar to 2026, due to the expiration of the enhanced APTCs. It was also assumed that younger members would drop coverage throughout the year. The 2027 projection period average age factor is a weighted average of the projected monthly average age factor and the projected total enrollment by month.

Tobacco Factor Adjustment

For the 2027 rate filing, BCBSAL performed updated analysis for tobacco rating factor. [redacted] The data was also normalized for benefit plan mix, area mix, and age mix.

[redacted]

The experience period tobacco factor was developed using 2025 enrollment by tobacco usage status and exchange status. The latter split of 2025 enrollment was used to see if the distribution of tobacco and non-tobacco users varies by that characteristic. Exhibit 7.5 (see Appendix) provides detailed information concerning the development of the 2025 average tobacco factor.

BCBSAL used experience data showing the average percentage of tobacco users by year for On Exchange vs. Off Exchange to make assumptions about this distribution for 2027. Results are shown in Exhibit 7.6 (see Appendix).

The projection period tobacco factor was developed by combining the assumptions above for percentage of tobacco users and BCBSAL's projected 2027 enrollment by on exchange and off exchange. The numerical development for the 2027 projected average tobacco factor can be found in Exhibit 7.7 (see Appendix).

The calculation for the tobacco factor adjustment was done by dividing the 2027 average tobacco factor by the 2025 average tobacco factor and can be found in Exhibit 7.8 (see Appendix).

Total Demographic Shift

Exhibit 7.9 (see Appendix) shows the calculation of the total demographic shift factor.

Section 8: Plan Design Changes

From the experience period to the projection period BCBSAL made changes to cost sharing requirements for each plan.

These changes were implemented to:

(1) Maintain Actuarial Values within de minimis ranges,
(2) Reflect changes in regulations, and/or
(3) Reflect changes in the cost and utilization of medical care.

The value of these changes for each plan was calculated by using the Milliman Managed Care Rating Model, which was calibrated to BCBSAL's Individual experience.

More specifically, the Milliman Managed Care Rating Model was used to model both the 2025 and 2027 benefits. The difference between these two values is the difference due only to the change in cost sharing and can be seen in Exhibit 8.1 (see Appendix).

The overall value for the cost sharing changes is calculated in Exhibit 8.2 (see Appendix). The Impact of Cost Sharing Changes on Allowed Claims PMPM is 1 plus the Value of Cost Sharing Changes from 2025 to 2027 found in Exhibit 8.1.

Section 9: Manual Rate Adjustments

No manual rate adjustment was needed as BCBSAL's experience period claims are deemed fully credible as discussed in Section 10: Credibility of Experience.

Section 10: Credibility of Experience

Given the large number of experience period member months showing in Section 1 of Worksheet 1 of the URRT, BCBSAL has assigned full credibility to its Base Period Experience for Individual.

This assignment of full credibility “without using a rigorous mathematical model” is consistent relative to Actuarial Standards of Practice No. 25 Credibility Procedures, specifically section 3.4, “Professional Judgment,” which states, “…in some situations, an acceptable procedure for blending the subject experience with the relevant experience may be based on the actuary assigning full, partial, or zero credibility to the subject experience without using a rigorous mathematical model.”

Section 11: Establishing the Index Rate

Information contained in this section's associated exhibits may not calculate exactly to the final results indicated due to rounding.

Experience Period Index Rate

Exhibit 11.1 (see Appendix) provides details of the development of BCBSAL's 2025 Individual ACA Index Rate.

The Index Rate equals the allowed claims PMPM from the experience period less non-EHB claims ($0.00 PMPM). There were no non-EHBs covered in the experience period.

Projection Period Index Rate

BCBSAL applied the Trend Factors from Exhibit 5.3 to the Experience Period PMPM for EHB in Exhibit 11.2 (see Appendix) to develop the Trended EHB Allowed Claims PMPM.

The Cost and Utilization Trend factors are applied for 12 months each, covering the 24 months from mid-point of the experience period to mid-point of the projection period.

BCBSAL applied the Projection Factors listed below, and shown in Exhibit 11.3 (see Appendix), to the Trended EHB Allowed Claims PMPM to develop the Projection Period Index Rate.

- Morbidity Adjustment: Section 6: Morbidity and Other Adjustment, Exhibit 6.1,
- Demographic Shift: Section 7: Demographic Shift, Exhibit 7.9,
- Impact of Plan Design Changes: Section 8: Plan Design Changes, Exhibit 8.2, and
- Other: Section 6: Morbidity and Other Adjustment.

There will be no non-EHBs covered in the Individual Market during 2027, and as described in Section 10: Credibility of Experience, BCBSAL has assigned full credibility to its base period experience, and no manual rate adjustment is necessary.

Section 12: Development of the Market Adjusted Index Rate

The Market Adjusted Index Rate is calculated as the index rate adjusted for all allowable market-wide modifiers, including reinsurance, risk adjustment, and the exchange user fee adjustment. This calculation is shown in Exhibit 12.1 (see Appendix). The Market Adjusted Index Rate in Exhibit 12.1 may not match exactly the Market Adjusted Index Rate in the URRT due to rounding.

Reinsurance

There are no expected reinsurance recoveries for 2027.

Experience Period Risk Adjustment

The risk adjustment transfer for the 2025 BCBSAL Individual Market is listed in Exhibit 12.2 (see Appendix). This amount, which BCBSAL will receive for 2025 net of High-Cost Risk Pool payments and charges, is a compilation of applicable items provided by CMS.

Projected Risk Adjustment PMPM

BCBSAL expects a recovery in 2027 from the risk adjustment program, based on the following:

- Risk adjustment transfers will not be reduced in the Alabama Individual Market for the 2027 benefit year.
- BCBSAL does not anticipate any Risk Adjustment Data Validation Charges or Default Data Validation Charges.
- Risk adjustment transfers will be altered for high-cost enrollees in 2027.
    - Individual Market issuers will be reimbursed for 60% of paid claims in excess of $1 million for any such enrollees.
    - All Individual Market issuers nationwide will be assessed a small uniform percent of premium.

Exhibit 12.3 (see Appendix) shows the calculation for the projected 2027 Risk Adjustment PMPM.

In the development of the market adjusted index rate, the expected risk adjustment transfer will be applied to the index rate on an allowed claims basis. To calculate the allowed PMPM, the risk adjustment transfer estimate was divided by the paid to allowed ratio developed in Exhibit 13.3.

Exchange User Fee

The exchange user fee adjustment in the Market Adjusted Index Rate calculation is on an allowed basis. The calculation for this can be found in Exhibit 12.4 (see Appendix).

Section 13: Actuarial Value and Cost Sharing

Induced Utilization Adjustment Factors

The induced utilization adjustment factors:

- Account for the expected utilization differences due to differences in cost sharing,
- Quantify the induced utilization of the plan relative to the induced utilization of the total Individual Market,
- Were developed using the Milliman Managed Care Rating Model using a standard population and [redacted] claims experience normalized for risk, area, network, and large claims, and
- Demonstrate the expected utilization differences due to cost-sharing factors alone, independent of health status.

[redacted]

The induced utilization adjustment factors are shown in column C of Exhibit 16.1.

Paid to Allowed Adjustment Factors

The 2027 average paid to allowed factor is calculated by projecting paid to allowed ratios and allowed PMPMs by plan. Unrounded values were used throughout this section.

Exhibit 13.1 (See Appendix) shows the development of each plan's Projected 2027 Paid to Allowed Ratio. The paid amount used in this development assumes all members are on the non-CSR Variation plan.

The following items in Exhibit 13.1 were derived using the Milliman Managed Care Rating Model which was calibrated to BCBSAL's Individual experience:

- Estimated Impact of Leveraging (column B),
- Estimated Impact of Cost Sharing Changes (column C), and
- Estimated Impact of Change in Morbidity (column D).

[redacted]

Exhibit 13.2 (See Appendix) shows the development of each plan's Projected 2027 Allowed PMPM.

2025 (Actual) Allowed PMPMs shown in Exhibit 13.2 were adjusted for:

- Trend (column B) by applying two years of the composite trend factor
- Cost sharing changes (column C) that were derived from the Milliman Managed Care Rating Model, which was calibrated to BCBSAL's Individual experience
- Change in morbidity (column D) that was developed in Section 6
- Change in demographics (column E) that was developed in Section 7

[redacted]

Exhibit 13.3 (See Appendix) shows the calculation of the projected paid to allowed ratio for 2027 using results from Exhibits 13.1 and 13.2. The projected 2027 allowed PMPMs have been adjusted so that the total is equal to the 2027 projection period index rate found in Exhibit 11.3.

Exhibit 13.4 (See Appendix) shows the calculation for the Paid to Allowed Adjustment Factor. The Paid to Allowed Adjustment Factor is the Modeled 2027 Paid to Allowed Ratio by plan multiplied by the 2027 Projected Total Paid to Allowed Ratio calculated in Exhibit 13.3 relative to the Total Modeled 2027 Paid to Allowed Ratio.

Cost Sharing Reduction (CSR) Adjustment Factor

Given that the federal government will not fund the CSR program in 2027, BCBSAL has made provisions in the development of its Plan Adjusted Index Rates.

[redacted]

Exhibit 13.5 (See Appendix) shows Actual CSR payments for 2025 as required by the 2027 HHS Final Notice of Benefit and Payment Parameters.

BCBSAL uses a dual adjudication claims processing system which determines a CSR amount for each claim by calculating benefits with and without the applicable CSR variation plan design.

Exhibits 13.6 and 13.7 (See Appendix) show the development of the CSR Adjustment Factor for the QHP Silver plans for 2027 which were calculated using the 2025 CSR amounts.

Projected CSR amounts by QHP silver plan variation are calculated by developing:

- Projected 2027 allowed PMPMs,
- Paid to allowed ratios with and without CSR funding, and
- Average members.

The projected allowed PMPMs in Exhibit 13.6 column A were developed from 2025 allowed PMPMs by plan.

Exhibit 13.7 (see Appendix) shows the development of the CSR Adjustment Factor for the QHP silver plans. The following values among others are shown in Exhibit 13.6:

- Projected CSR Amounts (a)
- Projected QHP Silver Incurred Paid Amount with CSR Funding (b)

The projected relativity of BCBSAL's loss ratio of QHP silver plans with CSR funding adjusted for drug rebates, and BCBSAL's entire individual ACA block of business is shown in line (c).

This factor in Exhibit 13.7 line (c) indicates the loss ratio of QHP silver plans is projected to be [redacted] that of the entire block based on historical and current data.

The CSR Adjustment Factor for QHP Silver Claims for Projected CSR Amounts is developed by dividing row (a) by row (b) and multiplying that result by row (c). Multiplying by row (c) adjusts the calculation such that the additional premium and claims resulting from CSR being unfunded in 2027 do not change the loss ratio of the entire individual ACA block of business.

The CSR Adjustment factor is calculated using total claims before any impact from Risk Adjustment payments, and it is applied to the Market Adjusted Index Rate in Exhibit 16.1, which

is adjusted for Risk Adjustment payments. Therefore, the CSR Adjustment factor must be grossed up to account for this. The calculation for this (CSR_{adj}) is shown in Exhibit 13.7.
This projected CSR Adjustment Factor for QHP Silver Claims for Projected CSR Amounts has been combined with the projected impact for the limited cost sharing and no cost sharing CSR variation plans for eligible American Indians and Alaska Natives as shown in row (e) to develop the QHP Silver Plan CSR Adjustment Factor shown as CSR_{final}.

Exhibit 13.8 (see Appendix) shows the projected 2027 CSR payments as well as the projected 2027 CSR load recoveries by plan. The differences are due to the administrative costs that are added when calculating premium.

Section 14: Administrative Costs

BCBSAL evaluated administrative expenses for all lines of business including Individual ACA.

Administrative expenses were reviewed on: (i) per capita basis, and (ii) percent of premium basis for prior time periods.

The administrative expense assumption was developed from this analysis and converted to a percent of premium.

Considerations for the 2027 administrative expense assumption include, but are not limited to:

- Administrative expenses for the corporation, and historical changes,
- Administrative expenses by line of business, and expenses allocated to Individual ACA, and
- Ongoing maintenance, requirements, and future improvements in health plan administration (for Individual ACA), and medical management programs applicable to Individual ACA.

Exhibit 14.1 shows the non-benefit expense components for 2027. Assumptions for 2026 are listed for reference only.

URRT retention components are rounded to four decimal places (or two decimal places for a number expressed as a percentage).

Exhibit 14.2 (see Appendix) shows the taxes and fees components for 2027. The taxes and fees components for 2026 are listed for reference only.

Totals for taxes and fees are rounded to four decimal places (or two decimal places for a number expressed as a percentage).

Taxes and Fees (expressed as percent of premium):

State Taxes – state premium tax established by state law as 1.6% percent of premium.

- State Premium Tax

[redacted]

ACA Taxes and Fees – applicable to the Individual Market as defined by the ACA.

- Risk Adjustment User Fee

  The HHS Notice of Benefit and Payment Parameters for 2027 established the 2027 risk adjustment user fee at $0.18 PMPM.

  Exhibit 14.2 shows this PMPM as a percent of BCBSAL's 2027 projected individual non-grandfathered premium.

- Patient-Centered Outcomes Research Institute (PCORI) Fee

  The IRS indicated, via Internal Revenue Bulletin 2025-45, a PCORI fee of $3.84 PMPY for plan years ending on or after 10/01/2025 and before 10/01/2026.

  By applying projected inflation, a projected PCORI fee of [redacted] PMPY was developed for plan years ending on or after 10/1/2027 and before 10/1/2028.

  Exhibit 14.2 shows this PMPY as a percent of BCBSAL's 2027 projected individual non-grandfathered premium.

Section 15: Other Plan Level Adjustments

Provider Network Adjustment

Catastrophic Factor

Section 16: Plan Adjusted Index Rates

The Plan Adjusted Index Rates were developed from the Market Adjusted Index Rate using the following adjustment factors:

- Actuarial value and cost-sharing design (Section 13)
    - Paid to allowed adjustment factor,
    - Expected utilization differences due to differences in cost sharing labeled in Exhibit 16.1 (see Appendix) as 'Induced Utilization', and
    - CSR adjustment factor to fund the CSR program in 2027.
- Adjustment for administrative costs excluding exchange user fees (Section 14)
- Other plan level adjustments (Section 15)
    - Provider Network
    - Impact of specific eligibility categories for the catastrophic plan.

Exhibit 16.1 provides details for the plan-specific plan adjusted index rate calculations. The Plan Adjusted Index Rates in Exhibit 16.1 may not match exactly Plan Adjusted Index Rates in the URRT due to rounding.

Section 17: Calibration

The Plan Adjusted Index Rates are calibrated in this section to an age rating factor of 1.0, a geographic area factor of 1.0, and a tobacco factor of 1.0.

Age Calibration:

The Plan Adjusted Index Rates were calibrated using the 2027 Projection Period Average Age Calibration Factor shown in Exhibit 17.3 (see Appendix).

The 2027 Projection Period Average Age Calibration Factor was calculated by starting with the 2027 Average Claims Age Factor found in Exhibit 7.4. The 2027 Average Claims Age Factor was then adjusted for the following two items:

Exhibit 17.3 shows the development of the Age Curve Calibration Factor which is the product of the following three items:

1) 2027 Projection Period Average Age Factor (from Exhibit 7.4),
2) Three Dependent Average Adjustment Factor (from Exhibit 17.1), and
3) Renewal/Issue Age Average Adjustment Factor (from Exhibit 17.2).

Area Calibration:

The Plan Adjusted Index rates were also calibrated using the 2027 Projection Period Average Area Factor.

The details of the development of BCBSAL's projected Individual 2027 Average Area Factor are shown in Section 7.

Tobacco Calibration

The Plan Adjusted Index Rates were also calibrated for the Projection Period Average Tobacco Factor.

The details of the development of BCBSAL's projected Individual 2027 Average Tobacco Factor are shown in Section 7.

Calibrated Plan Adjusted Index Rates

The Calibrated Plan Adjusted Index Rates are the result of dividing the Plan Adjusted Index Rates by the:

- Age Curve Calibration Factor,
- Area Calibration Factor, and
- Tobacco Calibration Factor.

The development of the Calibrated Plan Adjusted Index Rates is shown in Exhibit 17.4 (see Appendix).

The Calibrated Plan Adjusted Index Rate equals the monthly premium rate for a 21-year-old in Rating Area 3 as the Age Premium Factor is 1.0000 (see Exhibit 18.3 in Appendix) and Rating Area Premium Factor is 1.0000 (see Exhibit 18.2 in Appendix).

The Calibrated Plan Adjusted Index Rates in Exhibit 17.4 may not match exactly to the Calibrated Plan Adjusted Index Rates in the URRT due to rounding.

Section 18: Consumer Adjusted Premium Rate Development

The Consumer Adjusted Premium Rate is calculated by applying the appropriate area factor, age factor, and tobacco factor to the Calibrated Plan Adjusted Index Rate for a particular plan. The Calibrated Plan Adjusted Index Rates can be found in Section 17.

Exhibit 18.1 (see Appendix) provides an example of the Consumer Adjusted Premium Rate calculation for an insured with the following characteristics:

- 40 year-old
- Huntsville MSA
- Blue Secure Silver
- Non-smoker

Applicable Rating Factors

Area Premium Factors: The rating areas used are the Alabama geographic rating areas listed in the State of Alabama Department of Insurance Bulletin No. 2013-04, attached in the Appendix to this memorandum. Area premium factors are shown in Exhibit 18.2 (see Appendix).

Age Premium Factors: BCBSAL used the age curve of the State of Alabama Department of Insurance Bulletin No. 2020-17, attached in the Appendix to this memorandum. Age premium factors are shown in Exhibit 18.3 (see Appendix).

Tobacco Use Premium Factor: BCBSAL will apply a rating factor of 1.15 for tobacco users.

As federal law has raised the age at which one can buy tobacco from 18 to 21, members under the age of 21 will all be considered non-tobacco users for rating purposes in 2027.

Family premiums will equal the sum of individual Consumer Adjusted Premium Rates calculated using the appropriate Calibrated Plan Adjusted Index Rates and the rating factors above, with the total premium charged to a family for child dependents under age 21 capped at the sum of the individual Consumer Adjusted Premium Rates for the three oldest child dependents under age 21.

Section 19: Projected Loss Ratio

The projected loss ratio for BCBSAL's 2027 ACA Individual Market, excluding grandfathered products, is calculated in accordance with the federally prescribed MLR methodology of 45 CFR Part 158, 158.221.

$$\text{MLR} = \frac{i + q - s + (n - r)}{p - (t + f)} + c$$

Exhibit 19.1 (See Appendix) lists the variables, definitions, the values taken from BCBSAL's projections for its 2027 Individual Market excluding grandfathered products, and the MLR Result.

Exhibit 19.1 reflects the adjustments made for the 2027 unfunded CSR.

Section 20: AV Metal Values

The AV Metal Values for each plan, as well as details around the methodology used to calculate them, are provided in Exhibit 20.1 (see Appendix).

Section 21: Membership Projections

Development of Membership Projections

Membership projections by plan, which are shown in Exhibit 21.1 (see Appendix), were developed using actual enrollment data through June 2026 and modeling monthly enrollment through December 2027, considering new enrollment rates and termination rates.

Membership projections were modeled separately for On Exchange and Off Exchange.

New enrollment rates and termination rates were based on consideration of historical data. Enrollment patterns for the second half of 2026 are expected to be like those of the first half of 2026.

There were multiple items BCBSAL considered the impact of when projecting 2027 enrollment:

- Expired enhanced subsidies
- Increased competition in the Individual market in Alabama

[redacted]

Many additional members are expected to drop coverage through the Exchange due to the reduction in premium subsidies that occurred in Plan Year 2026. Considerations for termination rates included the expiration of enhanced subsidies, availability of CSR variation plans on the Exchange as well as the 90-day grace period.

Section 22: Terminated Plans and Products

Plans listed in Table 22.1 have or will have terminated prior to January 1, 2027, and lists plans and products that have experience included in the Single Risk Pool during the experience period and any products that were not in effect during the experience period but were made available thereafter.

Table 22.1: Individual Market

[redacted]

Section 23: Plan Type

[redacted]

Healthcare.gov defines PPO as, “A type of health plan where you pay less if you use providers in the plan’s network. You can use doctors, hospitals, and providers outside of the network without a referral for an additional cost.”

Healthcare.gov defines EPO as, “A managed care plan where services are covered only if you go to doctors, specialists, or hospitals in the plan’s network (except in an emergency).”

Section 24: Reliance

During 2027 premium rate development, the following sources or entities – external to BCBSAL – were referenced or considered in establishing rating assumptions and analysis that support the data in the URRT and resulting final premium rates. All information and analysis considered from the sources or entities were deemed reasonable for their intended purposes.

- Milliman Health Cost Guidelines, Managed Care Rating and Rx Rating Models, health and prescription drug pricing models leased by BCBSAL and adjusted to BCBSAL experience when appropriate
- Prime Therapeutics, BCBSAL's Pharmacy Benefit Manager (PBM), provided input on drug pricing.
- Centers for Medicare and Medicaid Services (CMS)
    - EDGE server reports - ACA Risk Adjustment and High Cost Risk Pool Charges
    - Effectuated Enrollment Data
- CMS Risk Adjustment transfer reports were used to help develop risk adjustment transfer and morbidity assumptions in the projection period.
- Alabama Department of Insurance - Individual risk adjustment transfer estimates and 2026 competitor market share data
- State of Alabama Bulletin Nos. 2013-04 and 2020-17 regarding geographic rating areas and age curve
- HHS Notice of Benefit and Payment Parameters for Plan Year 2027
- IRS Notice 2025-45 for PCORI Fee

Section 25: Actuarial Certification

I, [redacted], am an Actuarial Services Manager for Blue Cross and Blue Shield of Alabama. I am a member of the American Academy of Actuaries, and I am qualified to provide this Actuarial Certification which certifies the following:

(1) The projected Index Rate is
   (a) in compliance with all applicable State and Federal Statutes and Regulations 45 CFR 156.80 and 147.102,
   (b) developed in compliance with the applicable Actuarial Standards of Practice,
   (c) reasonable in relation to the benefits provided and the population anticipated to be covered, and
   (d) neither 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. A plan level adjustment to QHP plans for CSR funding was considered an allowable modifier under 156.80(d)(2)(i),

(3) The geographic rating factors reflect only differences in the costs of delivery and do not include differences for population morbidity by geographic area, and

(4) The Actuarial Value Calculator was used to determine the AV Metal Values shown in Worksheet 2, Section I of the Part I Unified Rate Review Template for all plans except those specified in the certification. For plans where an alternate methodology was used to calculate the AV Metal Value, the Actuarial Certification updated and resubmitted in August 2026 with the corresponding QHP form filing and required by 45 CFR 156.135 provides the necessary documentation and signature.

This memorandum and accompanying articles simultaneously satisfy the filing requirements of the ACA, and the filing requirements of the State of Alabama.

The premium rates supported by this memorandum assume that the federal government will not fund the CSR program for plan year 2027 and enhanced APTCs remain expired. If subsequently, any regulation is passed that changes requirements from those in effect at the time of this filing, the premium rates in this filing will require adjustment.

All analyses were either completed by me or were performed under my direction and review.

Signed,

[redacted]

Blue Cross and Blue Shield of Alabama

Appendix

(Appendix Redacted)