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

Part III Actuarial Memorandum and Certification

Individual Market
Effective January 1, 2023

August 26, 2022
Revised filing due to passage of Inflation Reduction Act on August 16, 2022

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Blue Cross and Blue Shield of Alabama
Part III Actuarial Memorandum and Certification
Individual Market
Effective January 1, 2023

Section 1: General Information

This actuarial memorandum has been revised to reflect changes due to the recent passage of the Inflation Reduction Act, which extended to 2025 the Enhanced Advanced Premium Tax Credit (APTC) amounts that were previously made available in 2021 and 2022 through the American Rescue Plan Act (ARPA). Revisions were made to sections 1, 2, 5, 6, 7, 11, 12, 13, 15, 16, 17, 18, 19, and 21.

This revised 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 "2023 Unified Rate Review Instructions, Rate Filing Justification: Parts I, II, and III." This document provides information related to "Part I: Unified Rate Review Template" ("URRT") for Blue Cross and Blue Shield of Alabama's ("BCBSAL") non-grandfathered, Individual Market health plans for rates effective January 1, 2023.

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

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

Exhibit 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, 2023

Exhibit 1.2: Primary Company Contact Information	
Name:	Kathryn Hedke
Title:	Manager Actuarial Services
[redacted]	

Health Benefit Plans

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

[redacted]

Section 2: Proposed Rate Change(s)

[redacted]

BCBSAL proposes an average -0.3% change to rates.

The average rate changes vary by plan and range from -2.3% for Blue Protect to 0.6% for Blue HSA Gold.

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, and
- Emerging 2022 experience, less adverse than expected.

Other factors affecting the proposed rates are:

- The estimated impact of COVID-19,
- Projected risk adjustment transfers,
- Changes in member cost sharing (varies by plan),
- [redacted]
- The projection of the required Cost Sharing Reduction (CSR) Adjustment factor.

Exhibit 2.1 provides the components of the average rate change. While the 2023 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 2.1: Components of Rate Change	
Components of Rate Change	**Required Premium Change from 2022 to 2023**
[redacted]	
Required Premium change in 2023 from 2022 Premiums	**-0.3%**

Plan Level Rate Changes

The requested 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 cost sharing 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.

Exhibit 2.2: Plan Level Rate Changes for 2023

Plan	Original Effective Date	April 2022 Members	2023 Rate Change
[redacted]			

The rate changes by plan are based on the rating area 3, Birmingham-Hoover, AL MSA, 21 year old, non-tobacco premium rates in 2022 and 2023. The average rate change across all plans is calculated by taking the weighted average of 2022 and 2023 rates by plan for a 21 year old, using the April 2022 members by plan as weights.

Exhibit 2.3 below shows the 21 year old, rating area 3, non-tobacco rates and rate changes by plan.

Exhibit 2.3: Plan Level Rate Changes for 2023			
Plan	**2022 Rate**	**2023 Rate**	**2023 Rate Change**
[redacted]			
Average			**-0.3%**

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 2021 based on the claim incurred date

Experience Period Paid Through Date
May 31, 2022

Current Date
Current enrollment and premium found in Section 2 of Worksheet 2 is reported as of April 30, 2022.

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

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 (magnitude approximately [redacted] of URRT incurred claims)

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 (magnitude less than [redacted] of URRT incurred claims)

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 2021 with claims paid through May 31, 2022, the large size of the block of business, and the historical consistency of the claims processing system.

Exhibit 3.1 shows incurred claims during the experience period by Benefit Category. The total of [redacted] equals that of "Incurred Claims in Experience Period," from Section I, of Worksheet 1, of URRT.

Exhibit 3.2 shows allowed claims during the experience period by Benefit Category. The total of [redacted] equals that of "Allowed Claims," from Section I, of Worksheet 1, of URRT.

Exhibit 3.3 shows the column heading definitions.

While incurred claims and allowed claims used the same completion factors, the year 2021 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 2021. 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).

Exhibit 3.1: Incurred Claims

Benefit Category	In System	Out System	IBNP	Total	Completion Factor
Inpatient Hospital					
Outpatient Hospital					
Professional					
Other Medical					
Capitation					
Prescription Drug					
Total					

Exhibit 3.2: Allowed Claims

Benefit Category	In System	Out System	IBNP	Total	Completion Factor
Inpatient Hospital					
Outpatient Hospital					
Professional					
Other Medical					
Capitation					
Prescription Drug					
Total					

Exhibit 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	2021 Claims incurred but not paid as of 05/31/2022 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 2021 Supplemental Health Care Exhibits of BCBSAL's 2021 Annual filing. The data in the Appendix do not equal the experience period data (year 2021) used in the URRT in the development of 2023 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.

BCBSAL also made the assumption that 2022 COVID-19 claims would be reduced from 2021 and that COVID-19 claims would be further reduced in 2023.

Exhibit 5.1 shows the components of trend broken into Year 1 (2022) and Year 2 (2023). Trends were selected using actuarial judgement with considerations for changes in demographics, benefits, seasonality, and one-time events. The rating trends in this section do include the impact of COVID-19, and therefore no separate adjustment for COVID-19 is made in this filing.

Exhibit 5.1 Underlying Trend Factor Development				
	Year 1 Trend		**Year 2 Trend**	
	January - December 2022		January - December 2023	
Benefit Category	**Cost**	**Utilization**	**Cost**	**Utilization**
Inpatient	[redacted]			
Outpatient				
Professional				
Other Medical				
Capitation				
Prescription Drug				
Composite				

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 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 5.2 Value of Change in Product Mix				
Plan Name	**Modeled Allowed Relativities**	**2021 Member Months**	**2022 Member Months**	**2023 Member Months**
Blue Value Gold	[redacted]			
Blue HSA Gold				
Blue Cross Select Gold				
Blue Standardized Gold				
Blue Secure Silver				
Blue Value Silver				
Blue Cross Select Silver				
Blue Standardized Silver				
Blue Standardized Silver EPO				
Blue Saver Silver EPO				
Blue Saver Silver				
Blue Saver Bronze				
Blue HSA Bronze				
Blue Standardized Bronze				
Blue Protect				
Total				

2021 Weighted Average Modeled Allowed Relativity	[redacted]
2022 Weighted Average Modeled Allowed Relativity	
2023 Weighted Average Modeled Allowed Relativity	

Year 1 Product Mix Trend Factor	[redacted]
Year 2 Product Mix Trend Factor	

Exhibit 5.3 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.

Exhibit 5.3 URRT Trend Factors				
	Year 1 Trend		**Year 2 Trend**	
	January - December 2022		January - December 2023	
Benefit Category	**Cost**	**Utilization**	**Cost**	**Utilization**
Inpatient	[redacted]			
Outpatient				
Professional				
Other Medical				
Capitation				
Prescription Drug				
Composite				

Section 6: Morbidity and Other Adjustments

Morbidity Adjustment

BCBSAL developed the expected Individual Market morbidity factor for 2023 based on available data on Individual Market members through May 2022. The following is the list of considerations that went into the morbidity factor development.

2021 to 2022 considerations

[redacted]

2022 to 2023 considerations

[redacted]

[redacted]

A high level summary of the morbidity factor development is shown in Exhibit 6.1.

Exhibit 6.1: Projected Morbidity Factor	
	Factor
2022 vs 2021 Morbidity Factor	[redacted]
2023 vs 2022 Morbidity Factor	
Total Morbidity Factor	

For 2022, BCBSAL derived a morbidity trend of [redacted] using experience through May 2022. Exhibit 6.2 shows the development of the YTD May 2022 observed morbidity.

Exhibit 6.2: YTD May-22 Observed Morbidity Trend

[redacted]

Exhibit 6.3 shows the development of the change in morbidity trend for 2022 and Exhibit 6.4 shows the full year of morbidity trend for 2022.

Exhibit 6.3: Change in Morbidity Trend for 2022

[redacted]

Exhibit 6.4: Full Year of Morbidity Trend for 2022

[redacted]

[redacted]

[redacted]

Exhibit 6.5 shows the projected morbidity impact of the enhanced APTCs ending

Exhibit 6.5: 2023 Projected Morbidity (Includes Impact of Extending Enhanced APTCs)

[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 geographic area factors, the age curve described in the paragraph immediately preceding Exhibit 18.2, and other rating factors along with projected member months.

Area Factor Adjustment

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

For the 2021 rate filing, BCBSAL filed new area rating factors. These factors will be used again in this filing. [redacted] In order to reflect delivery cost differences only, BCBSAL normalized the data using [redacted] to adjust for differences in population morbidity. The data was also normalized for benefit plan mix and the impact of large claimants.

BCBSAL also considered the following:

- Geographic proximity of rating areas,
- Consistency of the data across the [redacted] and
- The resulting rate impact for renewing policies from changing the area factors.

Exhibit 7.1 shows the numerical development of the "2021 Experience Period Average Area Factor" of [redacted] which was developed as the weighted average of the "Area Factors" using the 2021 membership across rating areas as weights.

Exhibit 7.1 also shows the numerical development of the "2023 Projection Period Average Area Factor" of [redacted] which was developed as the weighted average of the "Area Factors" using the projected 2023 membership across rating areas as weights.

[redacted]

Exhibit 7.1: Area Factor Adjustment				
MSA	**Rating Area**	**Area Factors**	**Actual 2021 Enrollment Distribution**	**Projected 2023 Enrollment Distribution**
Anniston-Oxford, AL	Rating Area 1	[redacted]		
Auburn-Opelika, AL	Rating Area 2			
Birmingham-Hoover, AL	Rating Area 3			
Columbus, GA-AL	Rating Area 4			
Decatur, AL	Rating Area 5			
Dothan, AL	Rating Area 6			
Florence-Muscle Shoals, AL	Rating Area 7			
Gadsden, AL	Rating Area 8			
Huntsville, AL	Rating Area 9			
Mobile, AL	Rating Area 10			
Montgomery, AL	Rating Area 11			
Tuscaloosa, AL	Rating Area 12			
Non-MSA Area, AL	Rating Area 13			
Total				
2021 Experience Period Average Area Factor				
2023 Projection Period Average Area Factor				
Area Factor Adjustment [redacted]				

Age Factor Adjustment

BCBSAL used the age curve described in the paragraph immediately preceding Exhibit 18.2 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 7.2 and 7.3.

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. The 2023 projection period average age factor is a weighted average of the projected monthly average age factor and the projected total enrollment by month.

Exhibit 7.2: Historical Average Age Factor Change Analysis

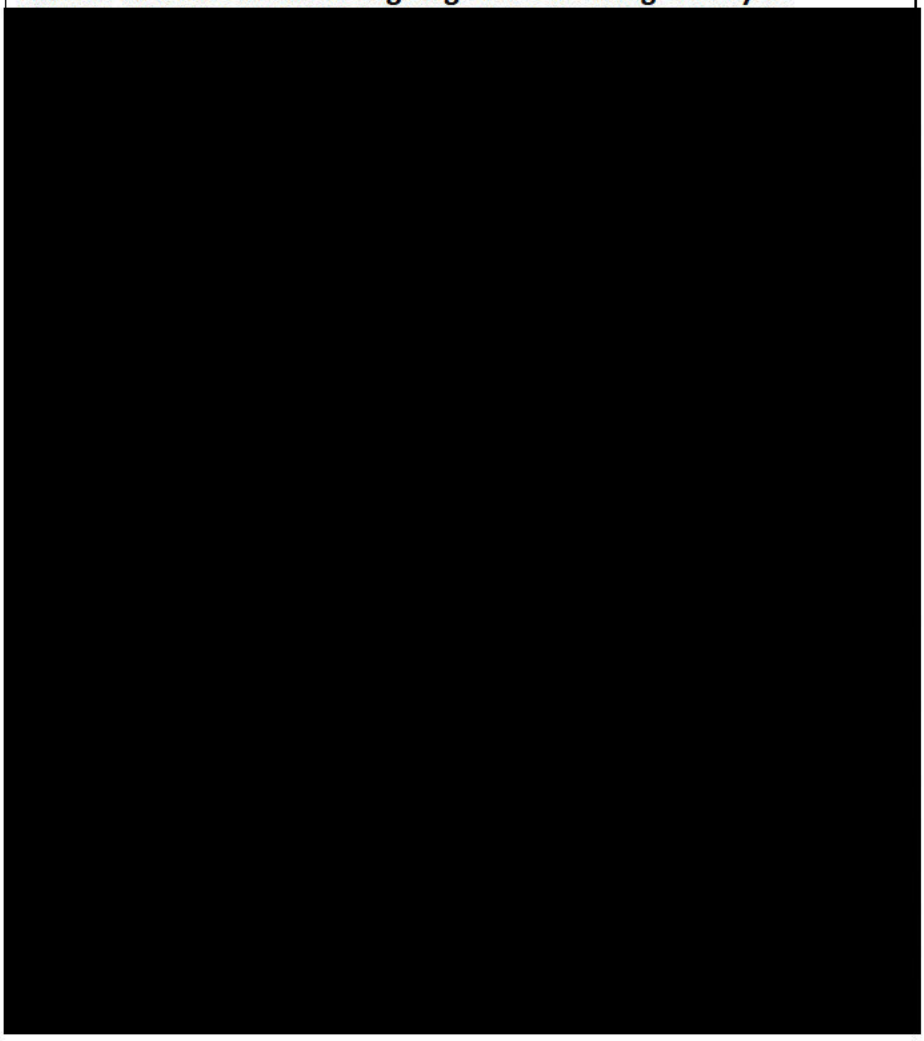
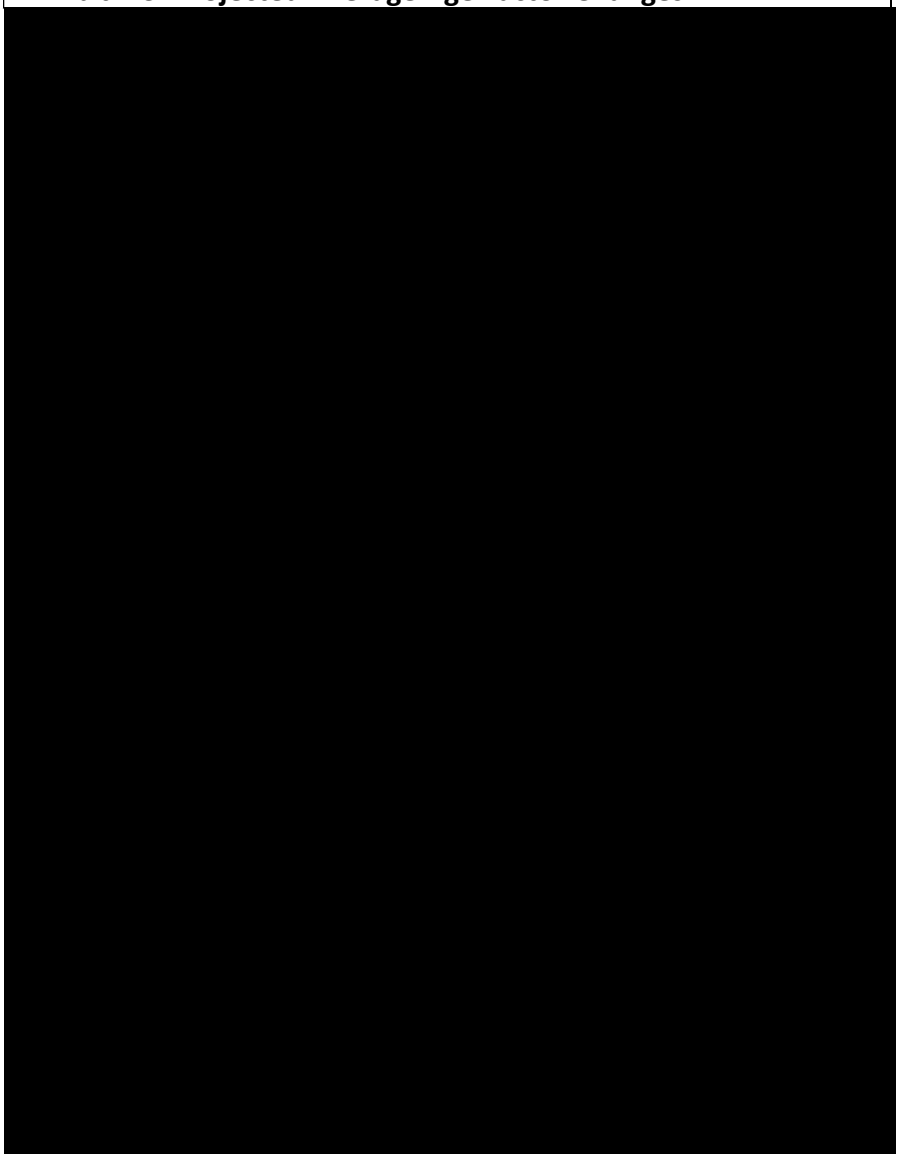


Exhibit 7.3: Projected Average Age Factor Changes



Tobacco Factor Adjustment

For the 2021 rate filing, BCBSAL filed a new tobacco rating factor. This factor will be used again in this filing. This factor was developed [redacted] The data was also normalized for benefit plan mix, area mix, and age mix.

The tobacco rating factor is [redacted] for members who use tobacco.

The experience period tobacco factor [redacted] was developed using 2021 enrollment by tobacco usage status and exchange status. The latter split of 2021 enrollment was used to see if the distribution of tobacco and non-tobacco users varies by that characteristic. Exhibit 7.4 provides detailed information concerning the development of the 2021 average tobacco factor.

Exhibit 7.4: 2021 Experience Period Average Tobacco Factor

Tobacco User	Exchange Status	Member Months	Tobacco User
Yes	On Exchange	[redacted]	
No	On Exchange		
Yes	Off Exchange		
No	Off Exchange		
2021 Average Tobacco Factor			
% of Total Enrollment on Exchange			
2021 On Exchange % Tobacco User			
2021 Off Exchange % Tobacco User			

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 2023. Results are shown in Exhibit 7.5.

Exhibit 7.5: Percentage of Tobacco Users

Year	On Exchange	Off Exchange
2018	[redacted]	
2019		
2020		
2021		
2022 (Jan-Apr)		
2023 (assumed)		

The projection period tobacco factor [redacted] was developed by combining the assumptions above for percentage of tobacco users and BCBSAL's projected 2023 enrollment by on exchange and off exchange. The numerical development for the 2023 projected average tobacco factor can be found in Exhibit 7.6.

Exhibit 7.6: 2023 Projection Period Average Tobacco Factor			
Tobacco User	**Exchange Status**	**Member Months**	**Tobacco User**
Yes	On Exchange	[redacted]	
No	On Exchange		
Yes	Off Exchange		
No	Off Exchange		
2023 Average Tobacco Factor			
% of Total Enrollment on Exchange			
2023 On Exchange % Tobacco User			
2023 Off Exchange % Tobacco Use			

The calculation for the tobacco factor adjustment was done by dividing the 2023 average tobacco factor by the 2021 average tobacco factor and can be found in Exhibit 7.7.

Exhibit 7.7: Tobacco Factor Adjustment		
Year	**Member Months**	**Average Tobacco Factor**
2021	[redacted]	
2023		
Tobacco Factor Adjustment	[redacted]	

Total Demographic Shift

Exhibit 7.8 shows the calculation of the total demographic shift factor.

Exhibit 7.8: Demographic Shift	Factor
Area Factor Adjustment	[redacted]
Age Factor Adjustment	
Tobacco Factor Adjustment	
Total Demographic Shift Adjustment	
[redacted]	

Section 8: Plan Design Changes

From the experience period to the projection period, BCBSAL made changes to cost sharing requirements to 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 2021 and 2023 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.

Exhibit 8.1: Value of Cost Sharing Changes from 2021 to 2023 by Plan

Plan Name	2021 Modeled Allowed Relativities	2023 Modeled Allowed Relativities	Value of Cost Sharing Changes from 2021 to 2023
[redacted]			

The overall value for the cost sharing changes is calculated in Exhibit 8.2. The Impact of Cost Sharing Changes on Allowed Claims PMPM is 1 plus the Value of Cost Sharing Changes from 2021 to 2023 found in Exhibit 8.1.

Exhibit 8.2: Allowed Impact of Cost Sharing Changes		
Plan Name	% of 2021 Total Allowed Claims	Impact of Cost Sharing Changes on Allowed
[redacted]		

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

BCBSAL has assigned full credibility to the Base Period Experience in the Individual URRT as this experience is comprised of [redacted] member months in 2021.

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 the section may not calculate exactly to the final results indicated due to rounding.

Experience Period Index Rate

Exhibit 11.1 provides details around the development of BCBSAL's 2021 Individual ACA Index Rate.

Exhibit 11.1: Calculation of Experience Period Index Rate

	A	B	C	D = B / C * 12000	E = A / B	F = D * E / 12000
Benefit Category	**Allowed Claims**	**Utilization**	**Member Months**	**Utilization/1000**	**Cost/Service**	**Experience Period Index Rate PMPM**
Inpatient Hospital	[redacted]					
Outpatient Hospital						
Professional						
Other Medical						
Capitation						
Prescription Drug						
Total						

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.

Experience Period Index Rate PMPM = [redacted]

Projection Period Index Rate

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

Exhibit 11.2: Trending EHB Allowed Claims PMPM						
	A	B	C	D	E	F = A * B * C * D * E
Benefit Category	**Experience Period Index Rate PMPM**	**Year 1 Cost Trend**	**Year 1 Utilization Trend**	**Year 2 Cost Trend**	**Year 2 Utilization Trend**	**Trended EHB Allowed Claims PMPM**
Inpatient Hospital	[redacted]					
Outpatient Hospital						
Professional						
Other Medical						
Capitation						
Prescription Drug						
Total						

- 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.
- For example, Trended EHB Allowed Claims PMPM for Outpatient is calculated as follows:

[redacted]

BCBSAL applied the Projection Factors listed below, and shown in Exhibit 11.3, 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 7.8,
- Impact of Plan Design Changes: Section 8: Plan Design Changes, Exhibit 8.2, and
- Other: Section 6: Morbidity and Other Adjustment.

Exhibit 11.3: Calculation of Projection Period Index Rate	
Trended EHB Allowed Claims PMPM	[redacted]
Morbidity Adjustment	
Demographic Shift	
Plan Design Changes	
Other	
Projection Period Index Rate [redacted]	

There will be no non-EHBs covered in the Individual Market during 2023, and as described in Section 10, BCBSAL has assigned full credibility to its base period experience and no manual rate adjustment is necessary. Therefore, the Index Rate for the Projection Period is also [redacted]

The Trended EHB Allowed Claims PMPM in Exhibit 11.2 and the Projected Index Rate in Exhibit 11.3 may not match exactly to the Trended EHB Allowed Claims PMPM and the Projected Index Rate in the URRT due to URRT rounding requirements.

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. The Market Adjusted Index Rate in Exhibit 12.1 does not match exactly to the Market Adjusted Index Rate in the URRT due to URRT rounding requirements.

Exhibit 12.1: Calculation of 2023 Market Adjusted Index Rate	[redacted]
Projected 2023 Index Rate	
Reinsurance	
Risk Adjustment Payment/Charge	
Exchange User Fee Adjustment	
Market Adjusted Index Rate	

Reinsurance

There are no expected reinsurance recoveries for 2023.

Experience Period Risk Adjustment

The risk adjustment transfer for the 2021 BCBSAL Individual Market is listed in Exhibit 12.2. This amount, which BCBSAL will receive for 2021 net of High-Cost Risk Pool payments and charges, is a compilation of applicable items provided by CMS on 06/30/2022.

Exhibit 12.2: 2021 Risk Adjustment Transfer		
Member Months	**Transfer Payment**	**Transfer on PMPM Basis**
[redacted]	$6,002,162	[redacted]

Projected Risk Adjustment PMPM

BCBSAL expects a recovery of [redacted] PMPM in 2023 from the risk adjustment program, based on the following:

- [redacted]
- [redacted]
- [redacted]

- Per the instructions outlined in the 2023 HHS Final Notice of Benefit and Payment Parameters, risk adjustment transfers will be reduced by 25 percent in the Alabama Individual Market for the 2023 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 2023. Individual Market issuers will be reimbursed for 60% of paid claims in excess of $1 million for any such enrollees, while all Individual Market issuers nationwide will be assessed a small uniform percent of premium [redacted]

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 [redacted] allowed PMPM, the risk adjustment transfer estimate [redacted] PMPM was divided by the paid to allowed ratio [redacted] developed in Exhibit 13.3 [redacted]

Exchange User Fee

The exchange user fee adjustment in the Market Adjusted Index Rate calculation is on an allowed basis. The exchange user fee on an incurred basis is [redacted] of premium. Exhibit 12.3 provides the detailed development of the exchange user fee on an allowed basis.

Exhibit 12.3: Calculation of Exchange User Fee (Allowed Basis)

[redacted]

Section 13: Actuarial Value and Cost Sharing

Induced Utilization Adjustment Factors

The induced utilization adjustment factors are used to account for the expected utilization differences due to differences in cost sharing. They are the induced utilization of the plan relative to the induced utilization of the total Individual Market. These factors 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. This demonstrates the expected utilization differences due to cost-sharing factors alone, independent of health status. Induced Utilization factors are shown in column C of Exhibit 16.1.

Paid to Allowed Adjustment Factors

The 2023 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 shows the development of the each plan's Projected 2023 Paid to Allowed Ratio. The paid amount used in this development assumes all members are on the non-CSR Variation plan.

Exhibit 13.1: Projected 2023 Paid to Allowed Ratios by Plan

	A	B	C	D	E = A x B x C x D
Plan Name	2021 (Actual) Paid to Allowed Ratio	Estimated Impact of Leveraging	Estimated Impact of Cost Sharing Changes	Estimated Impact of Change in Morbidity	Projected 2023 Paid to Allowed Ratio
[redacted]					

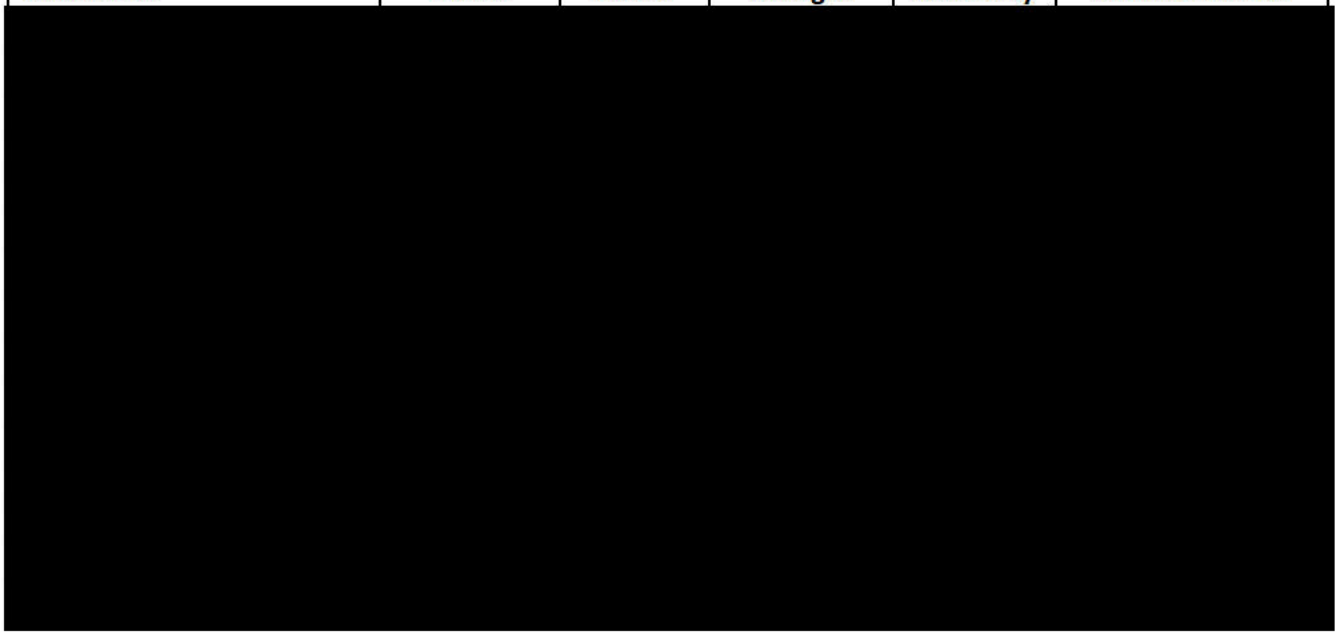
The following items in Exhibit 13.1 were derived using the Milliman Managed Care Rating Model which was calibrated to BCBSAL's Individual experience:

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

Exhibit 13.2 shows the development of the each plan's Projected 2023 Allowed PMPM.

Exhibit 13.2: Projected 2023 Allowed PMPMs by Plan

	A	B	C	D	E = A x B x C x D
Plan Name	2021 (Actual) Allowed PMPM	2-Year Trend Factor	Estimated Impact of Cost Sharing Changes	Estimated Impact of Change in Morbidity	Projected 2023 Allowed PMPM



2021 (Actual) Allowed PMPMs shown in Exhibit 13.2 were adjusted for trend, cost sharing changes, and morbidity in order to project to a 2023 allowed PMPM basis. The trend factor (column B) applies two years of the composite trend factor. The impact of cost sharing changes (column C) was derived from the Milliman Managed Care Rating Model, which was calibrated to BCBSAL's Individual experience. The impact due to change in morbidity (column D) was developed in Section 6.

[redacted]

Exhibit 13.3 shows the calculation of the projected paid to allowed ratio for 2023 using results from Exhibits 13.1 and 13.2.

Exhibit 13.3: Paid to Allowed Ratio					
	A	B	C	D = A x B x C	E = A x B
Plan Name	Projected 2023 Member Months	Projected 2023 Allowed PMPM	Projected 2023 Paid to Allowed Ratio	Projected Paid Amount (Numerator)	Projected Allowed Amount (Denominator)
[redacted]					
2023 Projected Total Paid to Allowed Ratio	[redacted]				

Exhibit 13.4 shows the calculation for the Paid to Allowed Adjustment Factor. The Paid to Allowed Adjustment Factor is the Modeled 2023 Paid to Allowed Ratio by plan multiplied by the 2023 Projected Total Paid to Allowed Ratio calculated in Exhibit 13.3 relative to the Total Modeled 2023 Paid to Allowed Ratio.

Exhibit 13.4: Paid to Allowed Adjustment Factors			
	A	B	C = A / A(Total) x B
Plan Name	Modeled 2023 Paid to Allowed Ratio	2023 Projected Total Paid to Allowed Ratio	Paid to Allowed Adjustment Factor
[redacted]			

CSR Adjustment Factor

Given that the federal government will not fund the CSR program in 2023, BCBSAL has made provisions in the development of its Plan Adjusted Index Rates.

[redacted]

[redacted]

A small amount of what would have been the 2023 CSR amounts are related to limited cost sharing and no cost sharing CSR variation plans for eligible American Indians and Alaska Natives for all exchange plans. These CSR amounts are projected to be [redacted] of incurred claims based on 2021 experience. [redacted]

Exhibits 13.5 and 13.6 show the development of the CSR Adjustment Factor for the QHP Silver plans for 2023.

Exhibit 13.5: Calculation of QHP Silver CSR Adjustment Factor

Projected CSR amounts by QHP silver plan variation are calculated by developing projected 2023 allowed PMPMs, paid to allowed ratios with and without CSR funding, and average members.

The projections in column A were developed from the 2021 allowed PMPMs by plan. The projected paid to allowed ratios were developed from the 2021 paid to allowed ratios by plan with modeled impacts of trend and cost sharing benefit changes between the 2021 and 2023 plans. The projected 2023 average members by plan variation were developed from actual enrollment through May 2022, historical changes in enrollment by plan variation, and expected changes in enrollment by plan variation.

Exhibit 13.6 shows the development for the CSR Adjustment Factor for the QHP silver plans. The values shown in lines (a) and (b) of Exhibit 13.6 have been taken from Exhibit 13.5.

Exhibit 13.6: Calculation of QHP Silver Plans CSR Adjustment Factor

[redacted]

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) as [redacted]

This [redacted] indicates the loss ratio of QHP silver plans is projected to be about [redacted] less than that of the entire block based on historical and current data.

The factor of [redacted] 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 2023 do not change the loss ratio of the entire individual ACA block of business.

This projected [redacted] impact has been combined with the projected [redacted] 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 of [redacted] as shown in row (f).

Section 14: Administrative Costs

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

Administrative expenses were reviewed on: (i) per capita, 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 2023 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.

[redacted]

Exhibit 14.1 shows the non-benefit expense components for 2023. Assumptions for 2022 are listed for reference only.

Exhibit 14.1: Components of Total URRT Retention		
	Retention Factors	
Component	**2022**	**2023**
Administrative Expenses	[redacted]	
Contribution to Surplus & Risk Margin		
Taxes and Fees (from Exhibit 14.2)		
Total URRT Retention		

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

Exhibit 14.2 shows the taxes and fees components for 2023. The taxes and fees components for 2022 are listed for reference only.

Exhibit 14.2: Components of Taxes and Fees		
	Retention Factors	
Component	**2022**	**2023**
State Premium Tax	[redacted]	
Health Insurer Fee		
Risk Adjustment User Fee		
Patient-Centered Outcomes Research Institute (PCORI) Fee		
Total Taxes and Fees		

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 a percent of premium):

State Taxes – state premium tax established by state law as 1.60% percent of premium.

- State Premium Tax 1.60%

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

- Health Insurer Fee 0.00%

  For calendar year 2021 and after, the Further Consolidated Appropriations Act of 2020 repealed the Health Insurer Fee which would have otherwise been assessed for calendar year 2023.

- Risk Adjustment User Fee [redacted]

  The HHS Notice of Benefit and Payment Parameters for 2023 established the 2023 risk adjustment user fee at $2.64 PMPY or $0.22 PMPM. This converts to approximately [redacted] of BCBSAL's 2023 projected individual non-grandfathered premium.

- Patient-Centered Outcomes Research Institute (PCORI) Fee [redacted]

  The IRS indicated a PCORI fee of $2.79 PMPY for plan years ending on or after 10/01/2021 and before 10/01/2022. By applying projected inflation, a projected PCORI fee of $3.03 PMPY was developed for plan years ending 12/2023. This converts to approximately [redacted] of BCBSAL's 2023 projected individual non-grandfathered premium.

Section 15: Other Plan Level Adjustments

Provider Network Adjustment

The total provider network factor for each plan is the product of any applicable plan level adjustments. [redacted]

Exhibit 15.1: Calculation of Adjusted Provider Network Adjustments

[redacted]

Catastrophic Factor

Using the Milliman Managed Care Rating Model, BCBSAL modeled the Catastrophic plan benefits using standard demographic assumptions and then modeled the benefits using demographics for the Catastrophic plan. The modeled incurred PMPM using expected demographics for the Catastrophic plan was [redacted] lower than the modeled incurred PMPM using standard demographics.

CMS age factors only account for a [redacted] reduction to premium between the standard demographics and the expected catastrophic demographics. The catastrophic factor is used to account for the additional premium decrease needed to reflect the full [redacted] difference between the two populations.

This factor is calculated as [redacted]
Catastrophic factor = [redacted]

The Catastrophic factor was then rounded to a factor of [redacted] Exhibit 15.2 shows the Catastrophic factors by plan. All metal level plans have a factor of 1.0 as instructed by the URRT.

Exhibit 15.2: Catastrophic Factors

Plan Name	2023 Projected Member Months	Catastrophic Factor
[redacted]		

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 below in Exhibit 16.1 as induced utilization, and
    - CSR adjustment factor to fund the CSR program in 2023.
- 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. Unrounded values were used to calculate the Plan Adjusted Index Rates. The Plan Adjusted Index Rates in Exhibit 16.1 do not match exactly to the Plan Adjusted Index Rates in the URRT due to URRT rounding requirements.

Exhibit 16.1: Calculation of Plan Adjusted Index Rates									
	A	B	C	D	E	F	G	H	I = B x C x D x E x F x G / (1 - H)
Plan Name	Projected Member Months	Market Adjusted Index Rate	Induced Utilization Adjustment Factor	Paid to Allowed Adjustment Factor	CSR Adjust-ment Factor	Provider Network	Cata-strophic Factor	Admin Costs (% of Premium)	Plan Adjusted Index Rates
[redacted]									

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 by a Projection Period Average Age Calibration Factor (using the age curve described in the paragraph immediately preceding Exhibit 18.2) of [redacted] shown in Exhibit 17.2.

This factor of [redacted] is different from the 2023 Projection Period Average Age Factor of [redacted] shown in Exhibit 7.3 of section 7, as the [redacted] accounts for members for whom no premium is paid due to the cap of the three oldest child dependents under age 21.

The monthly Adjusted Average Age Factors shown in Exhibit 17.1 were calculated by applying a factor of zero for the members for whom no premium is paid.

These monthly Adjusted Average Age Factors were compared to the monthly Average Age Factors calculated in Exhibit 7.2 of Section 7. The average percent difference between the two factors was [redacted], which can be seen in Exhibit 17.1.

This [redacted] was applied to the projected Average Age Factors in Exhibit 7.3 of Section 7 to calculate the monthly Projected Adjusted Average Age Factors shown in Exhibit 17.2.

The 2023 Projection Period Average Age Calibration Factor of [redacted] was developed in Exhibit 17.2 as the member weighted average of the monthly 2023 projected Adjusted Average Age Factors.

Exhibit 17.1: Historical Adjusted Average Age Factors

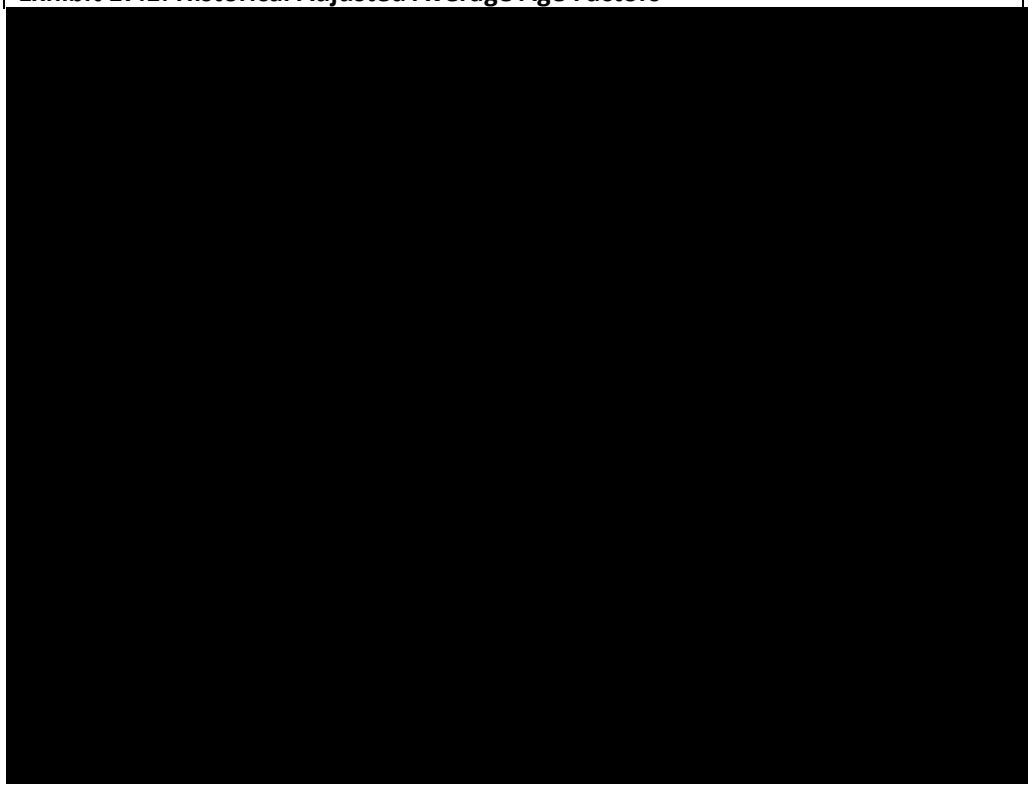


Exhibit 17.2: Projected Adjusted Average Age Factors

2023 Projection Period Average Age Calibration Factor =

Area Calibration:

The Plan Adjusted Index rates were also calibrated for the Projection Period Average Area Factor of . The details of the development of BCBSAL's projected Individual 2023 Average Area Factor of are shown in Section 7.

Tobacco Calibration

The Plan Adjusted Index Rates were also calibrated for the Projection Period Average Tobacco Factor of . The details of the development of BCBSAL's projected Individual 2023 Average Tobacco Factor of are shown in Section 7.

Calibrated Plan Adjusted Index Rates

The Calibrated Plan Adjusted Index Rate is the Plan Adjusted Index Rate divided by the product of the age curve calibration, area calibration, and tobacco calibration factors. Exhibit 17.3 shows the calculation of the Calibrated Plan Adjusted Index Rates, which equal the 21 year old, rating area 3 (i.e., Birmingham – MSA which has an area factor of 1.000), non-tobacco premium rates for each plan.

The Calibrated Plan Adjusted Index Rates in Exhibit 17.3 do not match exactly to the Calibrated Plan Adjusted Index Rates in the URRT due to URRT rounding requirements.

Exhibit 17.3: Calculation of Calibrated Plan Adjusted Index Rates

	A	B	C	D	E = A / B / C / D
Plan Name	Plan Adjusted Index Rates	Age Curve Calibration Factor	Area Calibration Factor	Tobacco Adjustment	Calibrated Plan Adjusted Index Rates
[redacted]					

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.

Below is an example of how to calculate the Consumer Adjusted Premium Rate

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

Blue Secure Silver Calibrated Plan Adjusted Index Rate [redacted]
x Huntsville MSA factor
x 40 year-old age factor
x Non-tobacco factor
Consumer Adjusted Premium Rate

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 of this memorandum. Area premium factors are shown in Exhibit 18.1.

Exhibit 18.1: Rating Area Premium Factors

MSA	Rating Area	Factor
Anniston-Oxford, AL	Rating Area 1	[redacted]
Auburn-Opelika, AL	Rating Area 2	
Birmingham-Hoover, AL	Rating Area 3	
Columbus, GA-AL	Rating Area 4	
Decatur, AL	Rating Area 5	
Dothan, AL	Rating Area 6	
Florence-Muscle Shoals, AL	Rating Area 7	
Gadsden, AL	Rating Area 8	
Huntsville, AL	Rating Area 9	
Mobile, AL	Rating Area 10	
Montgomery, AL	Rating Area 11	
Tuscaloosa, AL	Rating Area 12	
Non-MSA Area, AL	Rating Area 13	

Age Premium Factors: BCBSAL used the age curve of the State of Alabama Department of Insurance Bulletin No. 2020-17, attached in the Appendix of this memorandum. Age premium factors are shown in Exhibit 18.2.

Exhibit 18.2: Age Premium Factors			
Age	**Factor**	**Age**	**Factor**
0-14	0.635	40	1.278
15	0.635	41	1.302
16	0.635	42	1.325
17	0.635	43	1.357
18	0.635	44	1.397
19	0.635	45	1.444
20	0.635	46	1.500
21	1.000	47	1.563
22	1.000	48	1.635
23	1.000	49	1.706
24	1.000	50	1.786
25	1.004	51	1.865
26	1.024	52	1.952
27	1.048	53	2.040
28	1.087	54	2.135
29	1.119	55	2.230
30	1.135	56	2.333
31	1.159	57	2.437
32	1.183	58	2.548
33	1.198	59	2.603
34	1.214	60	2.714
35	1.222	61	2.810
36	1.230	62	2.873
37	1.238	63	2.952
38	1.246	64 and older	3.000
39	1.262		

Tobacco Use Premium Factor: BCBSAL will apply a rating factor of [redacted] 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 2023.

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 2023 ACA Individual Market excluding grandfathered products is calculated below consistent 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 lists the variables, definitions, the values taken from BCBSAL's projections for its 2023 Individual Market excluding grandfathered products, and the MLR Result.

Exhibit 19.1 reflects the adjustments made for the 2023 unfunded CSR.

Exhibit 19.1: MLR Variables, Definitions, Values, and MLR Result

Variable	Definition	Estimated Value
i	Incurred claims	[redacted]
q	Expenditures on quality improving activities	
s	Transitional reinsurance receipts	
n	Risk corridor and risk adjustment related payments	
r	Risk corridor and risk adjustment related receipts	
n - r	Net federal risk adjustment transfers	
p	Earned premiums	
t	Federal and State taxes and assessments	
f	Licensing & regulatory fees, incl. transitional reins. contributions	
t + f	Taxes & Fees, incl. transitional reins. contributions	
c	Credibility adjustment	
	MLR Result	

[redacted]

Section 20: AV Metal Values

The distinction of whether the AV Metal Values included in Worksheet 2 of the URRT were entirely based on the AV Calculator, or whether an acceptable alternative methodology was used to generate the AV Metal Value of one or more plans is provided below in Exhibit 20.1.

Exhibit 20.1: Individual Market – AV Metal Values

Plan Name [1, 2]	Metal Level	AV Metal Value	Entirely Based on AV Calculator[3]	AV Calculator Screenshot
[redacted]				

[1] Cost sharing reduction plan variations are not included in Exhibit 20.1 as such variations are not separate plans

[2] Catastrophic plan is not included in Exhibit 20.1 as the use of the AV Calculator was not required

[3] Required details of the alternative methodology used are described in BCBSAL's filed document titled, "Blue Cross and Blue Shield of Alabama, 2023 Actuarial Certification of Unique Plan Design Actuarial Values, Small Group and Individual Markets"

Section 21: Membership Projections

Exhibit 21.1: 2023 Member Month Projections							
			Base Plans		Variation Plans - FPL		
Plan	Metal	Total	Off Exchange	On Exchange	100-150 of FPL	150-200 of FPL	200-250 of FPL
[redacted]							

Development of Membership Projections

Membership projections (as shown in Exhibit 21.1) were developed using actual enrollment data through May 2022 and modeling monthly enrollment through December 2023, 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.

[redacted]

[redacted]

More new members were expected to enroll through the Exchange due to the continued availability of premium subsides and cost sharing reduction (CSR) plans. Considerations for termination rates included the availability of subsidies and CSRs on the Exchange as well as the 90-day grace period.

Section 22: Terminated Plans and Products

No plans have been terminated prior to January 1, 2023 that have experience included in the Single Risk Pool during the experience period.

Section 23: Plan Type

[redacted]

Section 24: Reliance

In the course of 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 supporting ACA Risk Adjustment and High Cost Risk Pool Charges.

- CMS Risk Adjustment transfer reports were used to help develop risk adjustment transfer assumptions in the projection period.

- Alabama Department of Insurance – Individual risk adjustment transfer estimates, the number and name(s) of the potential new entrant(s) to the market in 2023, and 2022 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 2023.

- IRS Notice 2020-84 for PCORI Fee.

Section 25: Actuarial Certification

I, Jill B. Cullen, am Vice President and Chief Actuary 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 submitted in June 2022 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 in 2023. If certainty of funding of the CSR program is provided, the premium rates will need an adjustment.

Additionally, per State of Alabama Department of Insurance Bulletin No. 2022-04, this revised Plan Year 2023 rate filing has been prepared following passage of the Inflation Reduction Act of 2022 which extended enhanced APTC subsidies to 2025.

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

Signed,

Jill B. Cullen, FSA, MAAA
Vice President and Chief Actuary
Blue Cross and Blue Shield of Alabama

Appendix

SUPPLEMENT FOR THE YEAR 2021 OF THE Blue Cross and Blue Shield of Alabama

SUPPLEMENTAL HEALTH CARE EXHIBIT - PART 1

(To Be Filed by April 1 – Not for Rebate Purposes – See Cautionary Statement at https://content.naic.org/sites/default/files/inline-files/committees_e_app_blanks_related_shce_cautionary_statement.pdf)

REPORT FOR: 1. CORPORATION Blue Cross and Blue Shield of Alabama 2. LOCATION 450 Riverchase Parkway East

NAIC Group Code 0570 BUSINESS IN THE STATE OF Alabama DURING THE YEAR 2021 NAIC Company Code 55433

		Business Subject to MLR								9	10	11	12	13	14	15
		Comprehensive Health Coverage			Mini-Med Plans			Expatriate Plans								
		1	2	3	4	5	6	7	8							
		Individual	Small Group Employer	Large Group Employer	Individual	Small Group Employer	Large Group Employer	Small Group	Large Group	Student Health Plans	Government Business (excluded by statute)	Other Health Business	Medicare Advantage Part C and Medicare Part D Stand-Alone Subject to ACA	Subtotal (Cols 1 thru 12)	Uninsured Plans	Total (13 + 14)
1.	Premium:															
	1.1 Health premiums earned (From Part 2, Line 1.11)	1,688,016,498	1,032,550,807	2,949,585,924	0	0	0	0	0	2,795,239	0	392,090,255	1,015,463,477	7,080,502,200	XXX	7,080,502,200
	1.2 Federal high risk pools													0	XXX	0
	1.3 State high risk pools													0	XXX	0
	1.4 Premiums earned including state and federal high risk programs (Lines 1.1 + 1.2 + 1.3)	1,688,016,498	1,032,550,807	2,949,585,924	0	0	0	0	0	2,795,239	0	392,090,255	1,015,463,477	7,080,502,200	XXX	7,080,502,200
	1.5 Federal taxes and federal assessments	65,389,593	3,031,667	(17,671,545)						(110,576)		8,980,897	(6,587,163)	53,032,873	(7,920,351)	45,112,522
	1.6 State insurance, premium and other taxes (Similar local taxes of $)	25,825,000	5,183,490	30,067,846						43,801		2,405,638	609,818	64,135,593	4,730,529	68,866,122
	1.6a Community Benefit Expenditures (informational only)													0		0
	1.7 Regulatory authority licenses and fees	1,423	1,148	2,323						4		553	102	5,553	8,524	14,077
	1.8 Adjusted premiums earned (Lines 1.4 – 1.5 – 1.6 – 1.7)	1,596,800,482	1,024,334,502	2,937,187,300	0	0	0	0	0	2,862,010	0	380,703,167	1,021,440,720	6,963,328,181	XXX	6,966,509,479
	1.9 Net assumed less ceded reinsurance premiums earned	(574,478)	(523,493)	(1,167,885)	0	0	0	0	0	0	0	(7,386,570)	0	(9,652,426)	XXX	(9,652,426)
	1.10 Other adjustments due to MLR calculations – Premiums			37,378,081								97,662	4,017,027	41,492,770	XXX	41,492,770
	1.11 Risk revenue													0	XXX	0
	1.12 Net adjusted premiums earned after reinsurance (Lines 1.8 + 1.9 + 1.10 + 1.11)	1,596,226,004	1,023,811,009	2,973,397,496	0	0	0	0	0	2,862,010	0	373,414,259	1,025,457,747	6,995,168,525	XXX	6,998,349,823
2.	Claims:															
	2.1 Incurred claims excluding prescription drugs	1,075,870,086	721,661,335	2,131,924,152						2,240,636		321,688,402	836,987,732	5,090,372,343	XXX	5,090,372,343
	2.2 Prescription drugs	506,038,904	330,400,186	894,917,711						470,469		16,296,416	202,206,978	1,950,330,664	XXX	1,950,330,664
	2.3 Pharmaceutical rebates	124,199,105	94,907,269	171,976,542						43,600		16,152,608	99,716,941	506,996,065	XXX	506,996,065
	2.4 State stop loss, market stabilization and claim/census based assessments (informational only)													0	XXX	0
3.	Incurred medical incentive pools and bonuses	0	0	0	0	0	0	0	0	0	0	0	(1,029,021)	(1,029,021)	XXX	(1,029,021)
4.	Deductible Fraud and Abuse Detection/Recovery Expenses (for MLR use only)	42,123	21,664	107,034								117	18,754	189,692	1,077,461	1,267,153
5.	5.0 Total incurred claims (Lines 2.1 + 2.2 – 2.3 + 3) (From Part 2, Line 2.15)	1,457,709,885	957,154,252	2,854,865,321	0	0	0	0	0	2,667,505	0	321,832,210	938,448,748	6,532,677,921	XXX	6,532,677,922
	5.1 Net assumed less ceded reinsurance claims incurred	0	(43,994)	(1,187,978)	0	0	0	0	0	0	0	(13,814,750)	0	(15,046,722)	XXX	(15,046,722)
	5.2 Other adjustments due to MLR calculations – Claims			37,378,081								97,662	4,017,027	41,492,770	XXX	41,492,770
	5.3 Rebates paid										XXX	XXX		0	XXX	0
	5.4 Estimated rebates unpaid prior year	0	0	0	0	0	0	0	0	0	XXX	XXX	0	0	XXX	0
	5.5 Estimated rebates unpaid current year										XXX	XXX		0	XXX	0
	5.6 Fee for service and co-pay revenue													0	XXX	0
	5.7 Net incurred claims after reinsurance (Lines 5.0 + 5.1 + 5.2 + 5.3 - 5.4 + 5.5 - 5.6)	1,457,709,885	957,110,258	2,891,055,424	0	0	0	0	0	2,667,505	0	308,115,122	942,465,775	6,559,123,969	XXX	6,559,123,970
6.	Improving Health Care Quality Expenses Incurred:															
	6.1 Improve Health Outcomes	1,995,994	1,657,065	4,612,923	0	0	0	0	0	4,868		824,046	6,598,704	15,693,600	14,258,629	29,952,229
	6.2 Activities to prevent hospital readmissions	832,298	706,205	2,332,480	0	0	0	0	0	2,000		409,255	3,169,556	7,451,794	6,848,780	14,300,574
	6.3 Improve patient safety and reduce medical errors	466,762	391,977	1,085,513	0	0	0	0	0	1,175		242,916	1,343,908	3,532,251	3,332,339	6,864,590
	6.4 Wellness and health promotion activities	727,274	600,976	1,604,629	0	0	0	0	0	1,568		2,904,392	3,926,493	9,765,332	5,439,514	15,204,846
	6.5 Health Information Technology expenses related to health improvement	857,316	664,221	1,505,870	0	0	0	0	0	1,648		287,537	1,622,503	4,939,095	4,559,967	9,499,062
	6.6 Total of Defined Expenses Incurred for Improving Health Care Quality (Lines 6.1 + 6.2 +6.3 + 6.4 + 6.5)	4,879,644	4,020,444	11,141,415	0	0	0	0	0	11,259	0	4,668,146	16,661,164	41,382,072	34,439,229	75,821,301
7.	Preliminary Medical Loss Ratio: MLR (Lines 4 + 5.0 + 6.6 – Footnote 2.0) / Line 1.8	0.916	0.938	0.976	0.000	0.000	0.000	0.000	0.000	0.936	XXX	XXX	0.935	XXX	XXX	XXX
8.	Claims Adjustment Expenses:															
	8.1 Cost containment expenses not included in quality of care expenses in Line 6.6	10,733,083	16,719,193	42,615,236						31,097		4,861,266	18,229,569	93,189,444	83,947,921	177,137,365
	8.2 All other claims adjustment expenses	10,916,587	8,916,694	27,036,884						42,872		9,625,444	16,648,933	73,187,414	88,263,483	161,450,897
	8.3 Total claims adjustment expenses (Lines 8.1 + 8.2)	21,649,670	25,635,887	69,652,120	0	0	0	0	0	73,969	0	14,486,710	34,878,502	166,376,858	172,211,404	338,588,262
9.	Claims Adjustment Expense Ratio (Line 8.3 / Line 1.8)	0.014	0.025	0.024	0.000	0.000	0.000	0.000	0.000	0.026	0.000	0.038	0.034	XXX	XXX	XXX

216-1.AL

SUPPLEMENT FOR THE YEAR 2021 OF THE Blue Cross and Blue Shield of Alabama

SUPPLEMENTAL HEALTH CARE EXHIBIT - PART 1

(To Be Filed by April 1 – Not for Rebate Purposes– See Cautionary Statement at https://content.naic.org/sites/default/files/inline-files/committees_e_app_blanks_related_shce_cautionary_statement.pdf)

REPORT FOR: 1. CORPORATION Blue Cross and Blue Shield of Alabama 2. LOCATION 450 Riverchase Parkway East

NAIC Group Code 0570 BUSINESS IN THE STATE OF Alabama DURING THE YEAR 2021 NAIC Company Code 55433

		Business Subject to MLR								9	10	11	12	13	14	15
		Comprehensive Health Coverage			Mini-med Plans			Expatriate Plans								
		1	2	3	4	5	6	7	8							
		Individual	Small Group Employer	Large Group Employer	Individual	Small Group Employer	Large Group Employer	Small Group	Large Group	Student Health Plans	Government Business (excluded by statute)	Other Health Business	Medicare Advantage Part C and Medicare Part D Stand-Alone Subject to ACA	Subtotal (Cols 1 thru 12)	Uninsured Plans	Total (13 + 14)
10.	General and Administrative (G&A) Expenses:															
	10.1 Direct sales salaries and benefits	1,750,963	4,142,406	7,373,399						3,106		791,109	1,485,586	15,546,569	10,992,932	26,539,501
	10.2 Agents and brokers fees and commissions	955,698	255							97		2,089,200	4,895,603	7,940,853	(7)	7,940,846
	10.3 Other taxes (excluding taxes on Lines 1.5 through 1.7 and Line 14 below)													0		0
	10.4 Other general and administrative expenses	43,642,392	31,046,030	76,638,078						558,815		37,744,703	40,827,637	230,457,655	250,049,903	480,507,558
	10.4a Community Benefit Expenditures (informational only)													0		0
	10.5 Total general and administrative (Lines 10.1 + 10.2 + 10.3 + 10.4)	46,349,053	35,188,691	84,011,477	0	0	0	0	0	562,018	0	40,625,012	47,208,826	253,945,077	261,042,828	514,987,905
11.	Underwriting Gain/(Loss) (Lines 1.12 – 5.7 – 6.6 – 8.3 – 10.5)	65 637 752	1 855 729	(82 462 940)	0	0	0	0	0	(452 741)	0	5 519 269	(15 756 520)	(25 659 451)	XXX	(490 171 615)
12.	Income from Fees of Uninsured Plans	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	412,529,538	412,529,538
13.	Net Investment and Other Gain/(Loss)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	153,942,094	XXX	153,942,094
14.	Federal Income Taxes (excluding taxes on Line 1.5 above)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	27,264,094	XXX	27,264,094
15.	Net Gain or (Loss) (Lines 11 + 12 + 13 – 14)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	101,018,549	XXX	49,035,923
16.	ICD-10 Implementation Expenses (informational only; already included in general expenses and Line 10.4)													0		0
	16a ICD-10 Implementation Expenses (informational only: already included in Line 10.4)													0		0
	OTHER INDICATORS:															
1.	Number of Certificates/Policies	154 739	103 983	292 981						2 864		401 032	126 383	1 081 982	793 980	1 875 962
2.	Number of Covered Lives	207 859	188 651	555 579						2 876		616 671	126 383	1 698 019	1 535 088	3 233 107
3.	Number of Groups	XXX	16,970	2,224	XXX									19,194	414	19,608
4.	Member Months	2,425,365	2,240,399	6,655,518						32,259		7,474,402	1,500,007	20,327,950	18,767,460	39,095,410

Is run-off business reported in Columns 1 through 9 or 12? Yes [ ] No [ ] If yes, show the amount of premiums and claims included: Premiums $ _____ Claims $ _____

AFFORDABLE CARE ACT (ACA) RECEIPTS, PAYMENTS, RECEIVABLES AND PAYABLES

		Current Year		Prior Year	
		Comprehensive Health Coverage		Comprehensive Health Coverage	
		1	2	3	4
		Individual Plans	Small Group Employer Plans	Individual Plans	Small Group Employer Plans
ACA Receivables and Payables					
1.	Permanent ACA Risk Adjustment Program 1.0 Premium adjustments receivable/(payable)	5,100,000	(2,400,000)	6,700,000	(2,100,000)
2.	Transitional ACA Reinsurance Program 2.0 Total amounts recoverable for claims (paid & unpaid)		XXX	0	XXX
3.	Temporary ACA Risk Corridors Program 3.1 Accrued retrospective premium			0	0
	3.2 Reserve for rate credits or policy experience refunds			0	0
ACA Receipts and Payments					
4.	Permanent ACA Risk Adjustment Program 4.0 Premium adjustments receipts/(payments)	8,272,076	(2,018,739)	5,435,289	4,762,744
5.	Transitional ACA Reinsurance Program 5.0 Amounts received for claims		XXX	0	XXX
6.	Temporary ACA Risk Corridors Program 6.1 Retrospective premium received			0	0
	6.2 Rate credits or policy experience refunds paid			111,024,840	10,341,861

216-1.AL

SUPPLEMENT FOR THE YEAR 2021 OF THE Blue Cross and Blue Shield of Alabama

SUPPLEMENTAL HEALTH CARE EXHIBIT - PART 2

(To Be Filed by April 1 – Not for Rebate Purposes)

REPORT FOR: 1. CORPORATION Blue Cross and Blue Shield of Alabama 2. LOCATION 450 Riverchase Parkway East

NAIC Group Code 0570 BUSINESS IN THE STATE OF Alabama DURING THE YEAR 2021 NAIC Company Code 55433

		Business Subject to MLR								9	10	11	12	13
		Comprehensive Health Coverage			Mini-Med Plans			Expatriate Plans						
		1 Individual	2 Small Group Employer	3 Large Group Employer	4 Individual	5 Small Group Employer	6 Large Group Employer	7 Small Group	8 Large Group	Student Health Plans	Government Business (excluded by statute)	Other Health Business	Medicare Advantage Part C and Medicare Part D Stand-Alone Subject to ACA	Total (a)
1.	Health Premiums Earned:													
	1.1 Direct premiums written	1,694,733,376	1,033,046,515	2,942,362,782						2,805,158	0	391,813,351	1,015,680,743	7,080,441,925
	1.2 Unearned premium prior year	(719,384)	950,540	(93,853)	0	0	0	0	0	10,966	0	125,085	(50,493)	222,861
	1.3 Unearned premium current year	5,997,494	1,446,248	(7,316,995)						20,885		(151,819)	166,773	162,586
	1.4 Change in unearned premium (Lines 1.2 – 1.3)	(6,716,878)	(495,708)	7,223,142	0	0	0	0	0	(9,919)	0	276,904	(217,266)	60,275
	1.5 Paid rate credits													0
	1.6 Reserve for rate credits current year			18,677,883								2,035,544		20,713,427
	1.7 Reserve for rate credits prior year	0	0	20,436,965	0	0	0	0	0	0	0	2,226,458	0	22,663,423
	1.8 Change in reserve for rate credits (Lines 1.6 – 1.7)	0	0	(1,759,082)	0	0	0	0	0	0	0	(190,914)	0	(1,949,996)
	1.9 Premium balances written off													0
	1.10 Group conversion charges													0
	1.11 Total direct premiums earned (Lines 1.1 + 1.4 - 1.9 + 1.10)	1,688,016,498	1,032,550,807	2,949,585,924	0	0	0	0	0	2,795,239	0	392,090,255	1,015,463,477	7,080,502,200
	1.12 Assumed premiums earned from non-affiliates													0
	1.13 Net assumed less ceded premiums earned from affiliates											(7,386,570)		(7,386,570)
	1.14 Ceded premiums earned to non-affiliates	574,478	523,493	1,167,885										2,265,856
	1.15 Other adjustments due to MLR calculation – Premiums			37,378,081								97,662	4,017,027	41,492,770
	1.16 Net premiums earned (Lines 1.11 - 1.5 - 1 8 + 1.12 + 1.13 - 1.14 + 1.15)	1,687,442,020	1,032,027,314	2,987,555,202	0	0	0	0	0	2,795,239	0	384,992,261	1,019,480,504	7,114,292,540
2.	Direct Claims Incurred:													
	2.1 Paid claims during the year	1,434,291,292	949,883,498	2,856,807,949						2,687,472		311,118,592	958,095,153	6,512,883,956
	2.2 Direct claim liability current year	129,460,552	97,891,366	324,779,603						125,000		30,165,620	96,929,783	679,351,924
	2.3 Direct claim liability prior year	88,967,723	80,822,034	277,734,847	0	0	0	0	0	126,000	0	26,026,171	69,068,980	542,745,755
	2.4 Direct claim reserves current year											9,669,484		9,669,484
	2.5 Direct claim reserves prior year	0	0	0	0	0	0	0	0	0	0	6,724,623	0	6,724,623
	2.6 Direct contract reserves current year			244,638,901								239,128,557	(5,274,324)	478,493,134
	2.7 Direct contract reserves prior year	0	0	282,016,982	0	0	0	0	0	0	0	231,169,029	(1,257,297)	511,928,714
	2.8 Paid rate credits													0
	2.9 Reserve for rate credits current year			18,677,883								2,035,544		20,713,427
	2.10 Reserve for rate credits prior year	0	0	20,436,965	0	0	0	0	0	0	0	2,226,458	0	22,663,423
	2.11 Incurred medical incentive pools and bonuses (Lines 2.11a + 2.11b – 2.11c)	0	0	0	0	0	0	0	0	0	0	0	(1,029,021)	(1,029,021)
	2.11a Paid medical incentive pools and bonuses current year												3,123,979	3,123,979
	2.11b Accrued medical incentive pools and bonuses current year												808,000	808,000
	2.11c Accrued medical incentive pools and bonuses prior year	0	0	0	0	0	0	0	0	0	0	0	4,961,000	4,961,000
	2.12 Net healthcare receivables (Lines 2.12a – 2.12b)	17,074,235	9,798,578	9,850,221	0	0	0	0	0	18,968	0	4,139,306	42,461,159	83,342,467
	2.12a Healthcare receivables current year	65,241,970	49,753,077	69,914,720						18,917		4,482,855	123,646,483	313,058,022
	2.12b Healthcare receivables prior year	48,167,735	39,954,499	60,064,499	0	0	0	0	0	(51)	0	343,549	81,185,324	229,715,555
	2.13 Group conversion charge													0
	2.14 Multi-option coverage blended rate adjustment													0
	2.15 Total incurred claims (Lines 2.1 + 2 2 – 2 3 + 2.4 – 2.5 + 2.6 – 2.7 + 2.8 + 2 9 - 2.10 + 2.11 - 2.12 + 2.13 + 2.14)	1,457,709,886	957,154,252	2,854,865,321	0	0	0	0	0	2,667,504	0	321,832,210	938,448,749	6,532,677,922
	2.16 Assumed incurred claims from non-affiliates													0
	2.17 Net assumed less ceded incurred claims from affiliates											(13,814,750)		(13,814,750)
	2.18 Ceded incurred claims to non-affiliates		43,994	1,187,978								0		1,231,972
	2.19 Other adjustments due to MLR calculation – Claims			37,378,081								97,662	4,017,027	41,492,770
	2.20 Net Incurred Claims (Lines 2.15 - 2.8 - 2.9 + 2.10 + 2.16 + 2.17 - 2.18 + 2.19)	1,457,709,886	957,110,258	2,892,814,506	0	0	0	0	0	2,667,504	0	308,306,036	942,465,776	6,561,073,966
3.	Fraud and Abuse Recoveries that Reduced PAID Claims in Line 2.1 above informational only)	42,123	21,664	107,034								117	18,754	189,692

(a) Column 13, Line 1.1 includes direct written premium of $ 150,370,103 for stand-alone dental and $ _____ for stand-alone vision policies.

216-2.AL

SUPPLEMENT FOR THE YEAR 2021 OF THE Blue Cross and Blue Shield of Alabama

SUPPLEMENTAL HEALTH CARE EXHIBIT - PART 3

(To Be Filed by April 1 – Not for Rebate Purposes)

REPORT FOR: 1. CORPORATION Blue Cross and Blue Shield of Alabama 2. LOCATION 450 Riverchase Parkway East

NAIC Group Code 0570 BUSINESS IN THE STATE OF Alabama DURING THE YEAR 2021 NAIC Company Code 55433

	All Expenses	Improving Health Care Quality Expenses						Claims Adjustment Expenses		9	10
		1 Improve Health Outcomes	2 Activities to Prevent Hospital Readmissions	3 Improve Patient Safety and Reduce Medical Errors	4 Wellness & Health Promotion Activities	5 HIT Expenses	6 Total (1 to 5)	7 Cost Containment Expenses	8 Other Claims Adjustment Expenses	General Administrative Expenses	Total Expenses (6 to 9)
1.	Individual Comprehensive Coverage Expenses:										
	1.1 Salaries (including $ ..... for affiliated services)	1,020,069	465,166	202,583	382,322	436,042	2,506,182	4,473,550	5,930,953	25,234,624	38,145,309
	1.2 Outsourced services	257,746	189,918	81,393	40,697	67,828	637,582	718,975	456,151		1,812,708
	1.3 EDP equipment and software (incl $ ..... for affiliated services)	541	102	71	291	48	1,053	1,072	18,735	648,522	669,382
	1.4 Other equipment (excl. EDP) (incl $ ..... for affiliated services)	3,287	1,530	871	918	2,053	8,659	21,370	25,959	1,575,902	1,631,890
	1.5 Accreditation and certification (incl $ ..... for affiliated services)	9,579	XXX	XXX	XXX	XXX	9,579				9,579
	1.6 Other expenses (incl $ ..... for affiliated services)	704,772	175,582	181,844	303,046	351,345	1,716,589	5,518,117	4,484,788	18,890,005	30,609,499
	1.7 Subtotal before reimbursements and taxes (1.1 to 1.6)	1,995,994	832,298	466,762	727,274	857,316	4,879,644	10,733,084	10,916,586	46,349,053	72,878,367
	1.8 Reimbursements by uninsured plans and fiscal intermediaries						0				0
	1.9 Taxes, licenses and fees (in total, for tying purposes)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		0
	1.10 Total (1.7 to 1.9)	1,995,994	832,298	466,762	727,274	857,316	4,879,644	10,733,084	10,916,586	46,349,053	72,878,367
	1.11 Total Fraud and abuse detection/recovery expenses included in Column 7 (informational only)						0	152,291			152,291
2.	Small Group Comprehensive Coverage Expenses:										
	2.1 Salaries (including $ ..... for affiliated services)	842,458	383,570	167,142	315,468	360,215	2,068,854	3,684,269	5,078,931	19,927,134	30,759,188
	2.2 Outsourced Services	232,071	170,999	73,286	36,643	61,071	574,070	647,357	371,470		1,592,897
	2.3 EDP equipment and software (incl $ ..... for affiliated services)	448	84	60	240	41	872	889	15,545	547,337	564,643
	2.4 Other equipment (excl. EDP) (incl $ ..... for affiliated services)	2,724	1,261	719	761	1,702	7,167	17,605	21,888	1,322,350	1,369,010
	2.5 Accreditation and certification (incl $ ..... for affiliated services)	7,861	XXX	XXX	XXX	XXX	7,861				7,861
	2.6 Other expenses (incl $ ..... for affiliated services)	571,504	150,291	150,770	247,864	241,192	1,361,621	12,369,074	3,428,860	13,391,869	30,551,424
	2.7 Subtotal before reimbursements and taxes (2.1 to 2.6)	1,657,065	706,205	391,977	600,976	664,221	4,020,444	16,719,194	8,916,694	35,188,690	64,845,022
	2.8 Reimbursements by uninsured plans and fiscal intermediaries						0				0
	2.9 Taxes, licenses and fees (in total, for tying purposes)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		0
	2.10 Total (2.7 to 2.9)	1,657,065	706,205	391,977	600,976	664,221	4,020,444	16,719,194	8,916,694	35,188,690	64,845,022
	2.11 Total fraud and abuse detection/recovery expenses included in Column 7 (informational only)						0	124,998			124,998
3.	Large Group Comprehensive Coverage Expenses:										
	3.1 Salaries (including $ ..... for affiliated services)	2,395,748	1,351,374	463,259	927,443	757,828	5,895,652	8,942,615	16,201,880	50,945,755	81,985,902
	3.2 Outsourced services	768,317	566,128	242,626	121,313	202,189	1,900,573	2,143,199	1,015,893		5,059,665
	3.3 EDP equipment and software (incl $ ..... for affiliated services)	1,224	234	161	658	105	2,382	2,411	41,867	1,451,261	1,497,921
	3.4 Other equipment (excl. EDP) (incl $ ..... for affiliated services)	6,633	3,831	1,920	2,203	3,324	17,911	42,083	64,774	3,591,086	3,715,854
	3.5 Accreditation and certification (incl $ ..... for affiliated services)	21,536	XXX	XXX	XXX	XXX	21,536				21,536
	3.6 Other expenses (incl $ ..... for affiliated services)	1,419,465	410,913	377,547	553,012	542,424	3,303,361	31,484,928	9,712,469	28,023,376	72,524,134
	3.7 Subtotal before reimbursements and taxes (3.1 to 3.6)	4,612,923	2,332,480	1,085,513	1,604,629	1,505,870	11,141,415	42,615,236	27,036,883	84,011,478	164,805,012
	3.8 Reimbursements by uninsured plans and fiscal intermediaries						0				0
	3.9 Taxes, licenses and fees (in total, for tying purposes)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		0
	3.10 Total (3.7 to 3.9)	4,612,923	2,332,480	1,085,513	1,604,629	1,505,870	11,141,415	42,615,236	27,036,883	84,011,478	164,805,012
	3.11 Total fraud and abuse detection/recovery expenses included in Column 7 (informational only)						0	339,468			339,468

SUPPLEMENT FOR THE YEAR 2021 OF THE Blue Cross and Blue Shield of Alabama

SUPPLEMENTAL HEALTH CARE EXHIBIT - PART 3 (Continued)

(To Be Filed by April 1 – Not for Rebate Purposes)

REPORT FOR: 1. CORPORATION Blue Cross and Blue Shield of Alabama 2. LOCATION 450 Riverchase Parkway East

NAIC Group Code 0570 BUSINESS IN THE STATE OF Alabama DURING THE YEAR 2021 NAIC Company Code 55433

		All Expenses	Improving Health Care Quality Expenses					Claims Adjustment Expenses			
			1	2	3	4	5	6	7	8	9	10
			Improve Health Outcomes	Activities to Prevent Hospital Readmissions	Improve Patient Safety and Reduce Medical Errors	Wellness & Health Promotion Activities	HIT Expenses	Total (1 to 5)	Cost Containment Expenses	Other Claims Adjustment Expenses	General Administrative Expenses	Total Expenses (6 to 9)
4.	Individual Mini-Med Plans Expenses											
	4.1 Salaries (including $ ..... for affiliated services)							0				0
	4 2 Outsourced services							0				0
	4 3 EDP equipment and software (incl $ ..... for affiliated services)							0				0
	4.4 Other equipment (excl. EDP) (incl $ ..... for affiliated services)							0				0
	4 5 Accreditation and certification (incl $ ..... for affiliated services)			XXX	XXX	XXX	XXX	0				0
	4 6 Other expenses (incl $ ..... for affiliated services)							0				0
	4.7 Subtotal before reimbursements and taxes (4.1 to 4.6)		0	0	0	0	0	0	0	0	0	0
	4 8 Reimbursements by uninsured plans and fiscal intermediaries							0				0
	4 9 Taxes, licenses and fees (in total, for tying purposes)		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		0
	4.10 Total (4.7 to 4.9)		0	0	0	0	0	0	0	0	0	0
	4.11 Total fraud and abuse detection/recovery expenses included in Column 7 (informational only)							0				0
5.	Small Group Mini-Med Plans Expenses											
	5.1 Salaries (including $ ..... for affiliated services)							0				0
	5 2 Outsourced services							0				0
	5 3 EDP equipment and software (incl $ ..... for affiliated services)							0				0
	5.4 Other equipment (excl. EDP) (incl $ ..... for affiliated services)							0				0
	5 5 Accreditation and certification (incl $ ..... for affiliated services)			XXX	XXX	XXX	XXX	0				0
	5 6 Other expenses (incl $ ..... for affiliated services)							0				0
	5.7 Subtotal before reimbursements and taxes (5.1 to 5.6)		0	0	0	0	0	0	0	0	0	0
	5 8 Reimbursements by uninsured plans and fiscal intermediaries							0				0
	5 9 Taxes, licenses and fees (in total, for tying purposes)		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		0
	5.10 Total (5.7 to 5.9)		0	0	0	0	0	0	0	0	0	0
	5.11 Total fraud and abuse detection/recovery expenses included in Column 7 (informational only)							0				0
6.	Large Group Mini-Med Plans Expenses											
	6.1 Salaries (including $ ..... for affiliated services)							0				0
	6 2 Outsourced services							0				0
	6 3 EDP equipment and software (incl $ ..... for affiliated services)							0				0
	6.4 Other equipment (excl. EDP) (incl $ ..... for affiliated services)							0				0
	6 5 Accreditation and certification (incl $ ..... for affiliated services)			XXX	XXX	XXX	XXX	0				0
	6 6 Other expenses (incl $ ..... for affiliated services)							0				0
	6.7 Subtotal before reimbursements and taxes (6.1 to 6.6)		0	0	0	0	0	0	0	0	0	0
	6 8 Reimbursements by uninsured plans and fiscal intermediaries							0				0
	6 9 Taxes, licenses and fees (in total, for tying purposes)		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		0
	6.10 Total (6.7 to 6.9)		0	0	0	0	0	0	0	0	0	0
	6.11 Total fraud and abuse detection/recovery expenses included in Column 7 (informational only)							0				0

SUPPLEMENT FOR THE YEAR 2021 OF THE Blue Cross and Blue Shield of Alabama

SUPPLEMENTAL HEALTH CARE EXHIBIT - PART 3

(To Be Filed by April 1 – Not for Rebate Purposes)

REPORT FOR: 1. CORPORATION Blue Cross and Blue Shield of Alabama 2. LOCATION 450 Riverchase Parkway East

NAIC Group Code 0570 BUSINESS IN THE STATE OF Alabama DURING THE YEAR 2021 NAIC Company Code 55433

		All Expenses	Improving Health Care Quality Expenses					Claims Adjustment Expenses		9	10
		1 Improve Health Outcomes	2 Activities to Prevent Hospital Readmissions	3 Improve Patient Safety and Reduce Medical Errors	4 Wellness & Health Promotion Activities	5 HIT Expenses	6 Total (1 to 5)	7 Cost Containment Expenses	8 Other Claims Adjustment Expenses	General Administrative Expenses	Total Expenses (6 to 9)
7.	Small Group Expatriate Plans Expenses										
	7.1 Salaries (including $ ..... for affiliated services)						0				0
	7.2 Outsourced services						0				0
	7.3 EDP equipment and software (incl $ ..... for affiliated services)						0				0
	7.4 Other equipment (excl. EDP) (incl $ ..... for affiliated services)						0				0
	7.5 Accreditation and certification (incl $ ..... for affiliated services)		XXX	XXX	XXX	XXX	0				0
	7.6 Other expenses (incl $ ..... for affiliated services)						0				0
	7.7 Subtotal before reimbursements and taxes (7.1 to 7.6)	0	0	0	0	0	0	0	0	0	0
	7.8 Reimbursements by uninsured plans and fiscal intermediaries						0				0
	7.9 Taxes, licenses and fees (in total, for tying purposes)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		0
	7.10 Total (7.7 to 7 9)	0	0	0	0	0	0	0	0	0	0
	7.11 Total fraud and abuse detection/recovery expenses included in Column 7 (informational only)						0				0
8.	Large Group Expatriate Plans Expenses										
	8.1 Salaries (including $ ..... for affiliated services)						0				0
	8.2 Outsourced services						0				0
	8.3 EDP equipment and software (incl $ ..... for affiliated services)						0				0
	8.4 Other equipment (excl. EDP) (incl $ ..... for affiliated services)						0				0
	8.5 Accreditation and certification (incl $ ..... for affiliated services)		XXX	XXX	XXX	XXX	0				0
	8.6 Other expenses (incl $ ..... for affiliated services)						0				0
	8.7 Subtotal before reimbursements and taxes (8.1 to 8.6)	0	0	0	0	0	0	0	0	0	0
	8.8 Reimbursements by uninsured plans and fiscal intermediaries						0				0
	8.9 Taxes, licenses and fees (in total, for tying purposes)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		0
	8.10 Total (8.7 to 8 9)	0	0	0	0	0	0	0	0	0	0
	8.11 Total fraud and abuse detection/recovery expenses included in Column 7 (informational only)						0				0
9.	Student Health Plans Expenses										
	9.1 Salaries (including $ ..... for affiliated services)	2,723	1,441	600	1,161	976	6,901	12,980	22,897	76,977	119,755
	9.2 Outsourced services	7	5	2	1	2	17	20	1,460		1,497
	9.3 EDP equipment and software (incl $ ..... for affiliated services)	2			1		3	3	57	2,067	2,130
	9.4 Other equipment (excl. EDP) (incl $ ..... for affiliated services)	8	5	3	3	4	23	64	99	4,900	5,086
	9.5 Accreditation and certification (incl $ ..... for affiliated services)	30	XXX	XXX	XXX	XXX	30				30
	9.6 Other expenses (incl $ ..... for affiliated services)	2,098	549	570	402	666	4,285	18,029	18,360	478,075	518,749
	9.7 Subtotal before reimbursements and taxes (9.1 to 9.6)	4,868	2,000	1,175	1,568	1,648	11,259	31,096	42,873	562,019	647,247
	9.8 Reimbursements by uninsured plans and fiscal intermediaries						0				0
	9.9 Taxes, licenses and fees (in total, for tying purposes)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		0
	9.10 Total (9.7 to 9 9)	4,868	2,000	1,175	1,568	1,648	11,259	31,096	42,873	562,019	647,247
	9.11 Total fraud and abuse detection/recovery expenses included in Column 7 (informational only)						0				0

216-3.AL

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BULLETIN NO. 2020-17

TO: All Insurers Writing Health Insurance in Alabama

FROM: Jim L. Ridling
Commissioner of Insurance

DATE: September 01, 2020

RE: Age Curve for the Individual and Small Group Health Insurance Market

EFFECTIVE: Immediate

In the Annual Notice of Benefit and Payment Parameters for 2018 and 45 CFR 147.102(d), the U.S. Department of Health and Human Services defined uniform age bands for rating purposes under section 2701 of the Public Health Service Act. The notice and regulation also allowed States to establish a uniform age rating curve for the individual market, small group market or both markets. The selected age rating curve would specify the relative distribution of rates across all age bands.

For all plans until further notice, Alabama establishes the following for age rating purposes:

- Individual Market shall use Table 1 attached to this Bulletin
- Small Group Market shall use Table 2 attached to this Bulletin.

For questions, please contact Steve Ostlund, Life and Health Actuary, at steven.ostlund@insurance.alabama.gov or (334) 240-4424.

JLR/WR/bc

Attachment

Table 1

2020 Age Curve for Individual Market			
Age	**Ratio**	**Age**	**Ratio**
0	0.635	33	1.198
1	0.635	34	1.214
2	0.635	35	1.222
3	0.635	36	1.230
4	0.635	37	1.238
5	0.635	38	1.246
6	0.635	39	1.262
7	0.635	40	1.278
8	0.635	41	1.302
9	0.635	42	1.325
10	0.635	43	1.357
11	0.635	44	1.397
12	0.635	45	1.444
13	0.635	46	1.500
14	0.635	47	1.563
15	0.635	48	1.635
16	0.635	49	1.706
17	0.635	50	1.786
18	0.635	51	1.865
19	0.635	52	1.952
20	0.635	53	2.040
21	1.000	54	2.135
22	1.000	55	2.230
23	1.000	56	2.333
24	1.000	57	2.437
25	1.004	58	2.548
26	1.024	59	2.603
27	1.048	60	2.714
28	1.087	61	2.810
29	1.119	62	2.873
30	1.135	63	2.952
31	1.159	64 and Older	3.000
32	1.183		

Table 2

2020 Age Curve for Small Group Market			
Age	**Ratio**	**Age**	**Ratio**
0	0.765	33	1.198
1	0.765	34	1.214
2	0.765	35	1.222
3	0.765	36	1.230
4	0.765	37	1.238
5	0.765	38	1.246
6	0.765	39	1.262
7	0.765	40	1.278
8	0.765	41	1.302
9	0.765	42	1.325
10	0.765	43	1.357
11	0.765	44	1.397
12	0.765	45	1.444
13	0.765	46	1.500
14	0.765	47	1.563
15	0.833	48	1.635
16	0.859	49	1.706
17	0.885	50	1.786
18	0.913	51	1.865
19	0.941	52	1.952
20	0.970	53	2.040
21	1.000	54	2.135
22	1.000	55	2.230
23	1.000	56	2.333
24	1.000	57	2.437
25	1.004	58	2.548
26	1.024	59	2.603
27	1.048	60	2.714
28	1.087	61	2.810
29	1.119	62	2.873
30	1.135	63	2.952
31	1.159	64 and Older	3.000
32	1.183		

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BULLETIN NO. 2013-04

TO: **Insurers writing health insurance in Alabama**

FROM: **Jim L. Ridling**
Commissioner of Insurance

DATE: **April 2, 2013**

RE: **Federal premium rate reforms – rating areas**

EFFECTIVE: **January 1, 2014**

Federal premium rate reform requirements regarding age, tobacco use, and geographic rating areas in the individual and small group markets apply in policy or plan years beginning on or after January 1, 2014. 45 C.F.R. § 147.102 (published February 27, 2013).

Health insurance issuers offering individual and small group coverage in Alabama are advised that the rating area "default" referenced in 45 C.F.R. § 147.102(b)(2) applies in Alabama. There will be 13 rating areas in Alabama consisting of the state's 12 metropolitan statistical areas and one rating area comprising all non-metropolitan statistical areas. The appendix lists the rating areas by number and county name.

JLR/JFM/bc

Attachment

Appendix A

Alabama Geographic Rating Areas (Small and Individual Markets)

Rating Area ID (for federal systems)	County Name	3 Digit Zip Code (if applicable)
Rating Area 1	Calhoun	
Rating Area 2	Lee	
Rating Area 3	Bibb	
Rating Area 3	Blount	
Rating Area 3	Chilton	
Rating Area 3	Jefferson	
Rating Area 3	St. Clair	
Rating Area 3	Shelby	
Rating Area 3	Walker	
Rating Area 4	Russell	
Rating Area 5	Lawrence	
Rating Area 5	Morgan	
Rating Area 6	Geneva	
Rating Area 6	Henry	
Rating Area 6	Houston	
Rating Area 7	Colbert	
Rating Area 7	Lauderdale	
Rating Area 8	Etowah	
Rating Area 9	Limestone	
Rating Area 9	Madison	
Rating Area 10	Mobile	
Rating Area 11	Autauga	
Rating Area 11	Elmore	
Rating Area 11	Lowndes	
Rating Area 11	Montgomery	
Rating Area 12	Greene	
Rating Area 12	Hale	
Rating Area 12	Tuscaloosa	
Rating Area 13	Baldwin	
Rating Area 13	Barbour	
Rating Area 13	Bullock	
Rating Area 13	Butler	
Rating Area 13	Chambers	
Rating Area 13	Cherokee	
Rating Area 13	Choctaw	
Rating Area 13	Clarke	
Rating Area 13	Clay	
Rating Area 13	Cleburne	
Rating Area 13	Coffee	

Rating Area 13	Conecuh	
Rating Area 13	Coosa	
Rating Area 13	Covington	
Rating Area 13	Crenshaw	
Rating Area 13	Cullman	
Rating Area 13	Dale	
Rating Area 13	Dallas	
Rating Area 13	DeKalb	
Rating Area 13	Escambia	
Rating Area 13	Fayette	
Rating Area 13	Franklin	
Rating Area 13	Jackson	
Rating Area 13	Lamar	
Rating Area 13	Macon	
Rating Area 13	Marion	
Rating Area 13	Morengo	
Rating Area 13	Marshall	
Rating Area 13	Monroe	
Rating Area 13	Perry	
Rating Area 13	Pickens	
Rating Area 13	Pike	
Rating Area 13	Randolph	
Rating Area 13	Sumter	
Rating Area 13	Talladega	
Rating Area 13	Tallapoosa	
Rating Area 13	Washington	
Rating Area 13	Wilcox	
Rating Area 13	Winston	