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

Part III Actuarial Memorandum and Certification

Individual Market Effective January 1, 2026

July 15, 2025

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Blue Cross and Blue Shield of Alabama Part III Actuarial Memorandum and Certification Individual Market Effective January 1, 2026

Section 1: General Information

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, 2024." This document provides information related to "Part I: Unified Rate Review Template v6.1" ("URRT") for Blue Cross and Blue Shield of Alabama's ("BCBSAL") non-grandfathered, Individual Market health plans for rates effective January 1, 2026.

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.

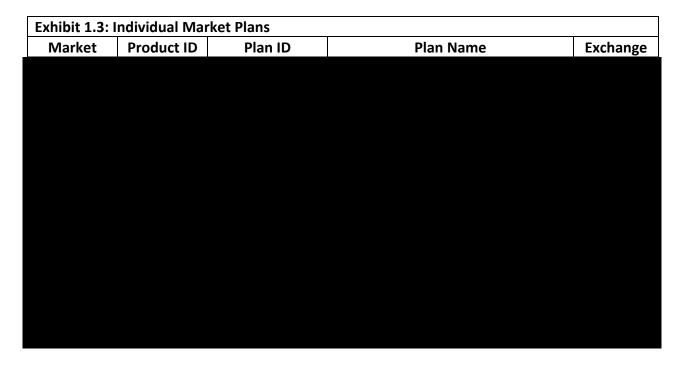
Exhibit 1.1: Company Identifying Information				
Company Legal Name: Blue Cross and Blue Shield of Alabama				
State with Regulatory Authority: Alabama				
HIOS Issuer ID: 46944				
Market: Non-Grandfathered Individual				
Effective Date:	January 1, 2026			

Exhibit 1.2: Primary Company Contact Information

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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.



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 as of this 2026 filing are named Blue Bronze as the Zero and Limited plan variations are not truly HSA eligible plans.

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Section 2: Proposed Rate Change(s)

BCBSAL will continue to offer in 2026 all plans offered in 2025 except Blue HSA Gold. BCBSAL will also offer two new plans in 2026:



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 2025 experience, slightly more adverse than expected.

Other factors affecting the proposed rates are:

• Changes in member cost sharing (varies by plan),



The projection of the required Cost Sharing Reduction (CSR) Adjustment factor.

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Exhibit 2.1 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.

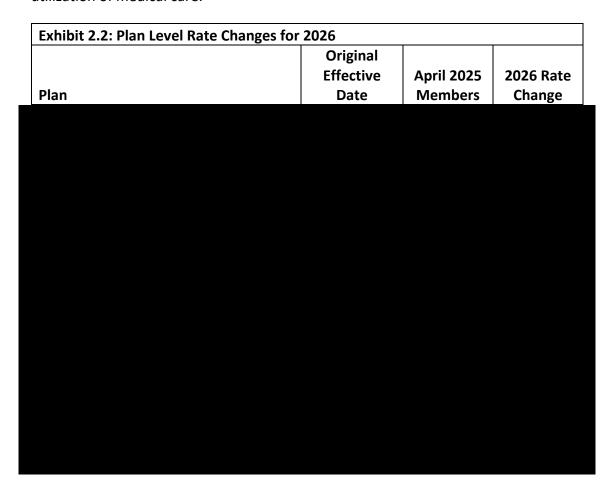
Exhibit 2.1: Components of Rate Change	
	Required
	Premium Change
Components of Rate Change	from 2025 to 202

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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.

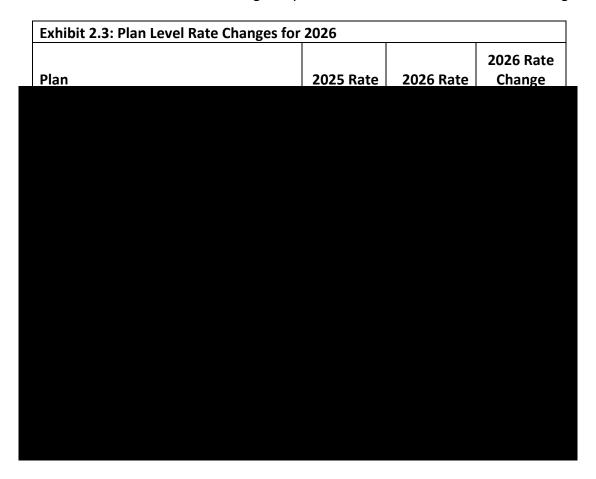
The cost sharing changes made to these plans are intended to maintain Actuarial Values ("AVs") within the appropriate *de minimis* ranges and to keep up with changes in the cost and utilization of medical care.



The rate changes by plan are based on the average 21 year-old, non-tobacco premium rates in 2025 and 2026. The average rate change across all plans is calculated by taking the weighted average of 2025 and 2026 rates by plan for a 21 year-old, using the April 2025 members by plan and geographic area as weights.

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Exhibit 2.3 below shows the average 21 year-old non-tobacco rates and rate changes by plan.



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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 2024 based on the claim incurred date

Experience Period Paid Through Date

May 31, 2025

Current Date

Current enrollment and premium found in Section 2 of Worksheet 2 is reported as of April 30, 2025.

Premiums (net of MLR Rebate) in Experience Period

The reported premium in Section I of Worksheet 1 of



- 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.

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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 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 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 2024 with claims paid through May 31, 2025, 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 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 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 2024 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 2024. To the extent that incurred claims and

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- 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).

Benefit Category	In System	Out System	IBNP	Total	Completion Factor



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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	2024 Claims incurred but not paid as of 05/31/2025 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 2024 Supplemental Health Care Exhibits of BCBSAL's 2024 Annual filing. The data in the Appendix do not equal the experience period data (year 2024) used in the URRT in the development of 2026 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.

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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.

<u>Prescription Drug (Utilization Unit: Prescriptions)</u>

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

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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 shows the components of trend broken into Year 1 (2025) and Year 2 (2026). Trends were selected using actuarial judgement with considerations for changes in demographics, benefits, seasonality, and one-time events.

Exhibit 5.1 Underlying Trend Factor Development					
	Year 1 Trend	Year 2 Trend			
	January - December 2025	January - December 2026			
Benefit Category					
Inpatient					
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.

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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			1	
	Modeled	2024	2025	2026
-•	Allowed	Member	Member	Membe
Plan Name	Relativities	Months	Months	Months
2024 Weighted Average Mo	idolod Allowed Polativity			
2025 Weighted Average Mo				
2026 Weighted Average Mo	deled Allowed Relativity			
Year 1 Product Mix Trend Fa	actor			

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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 2025		January - December 2026		
Benefit Category	Cost Utilization		Cost Utilization		
Inpatient					
Outpatient					
Professional					
Other Medical					
Capitation					
Prescription Drug					
Composite					

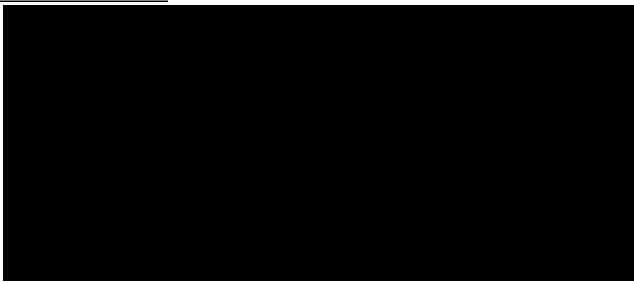
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Section 6: Morbidity and Other Adjustments

Morbidity Adjustment

BCBSAL developed the expected Individual Market morbidity factor for 2026 based on available data on Individual Market members through April 2025. The following is the list of considerations that went into the morbidity factor development.

2024 to 2025 considerations



2025 to 2026 considerations



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

Exhibit 6.1: Projected Morbidity Factor		
Factor		
Total Morbidity Factor		

For 2025 and 2026, BCBSAL derived morbidity trend factors by using currently available data and actuarial judgement to make assumptions about changes to the Individual Market in Alabama.



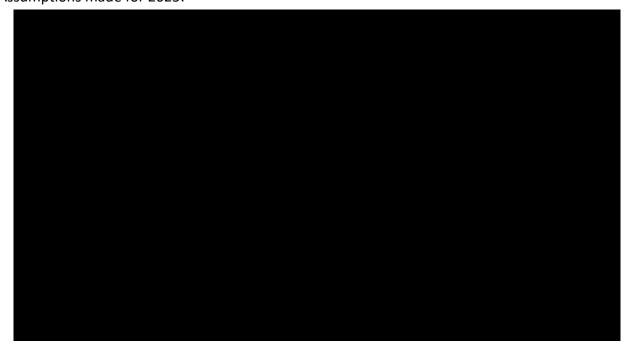
Available data includes:

- 2024 Risk Adjustment transfers by issuer
- 2024 member months by issuer
- Members by issuer and metal level as of 3/31/2025 provided by AL DOI
- The number of members who remained on a BCBSAL plan from 2024 to 2025

Assumptions made for 2024 data:



Assumptions made for 2025:

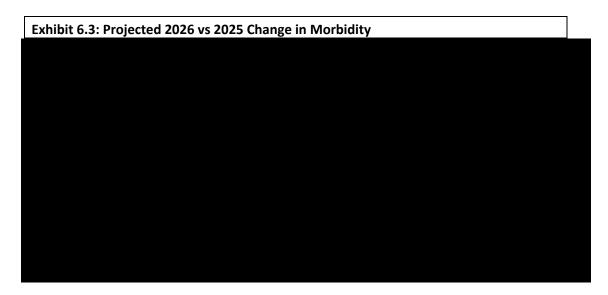


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Assumptions made for 2026:



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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.

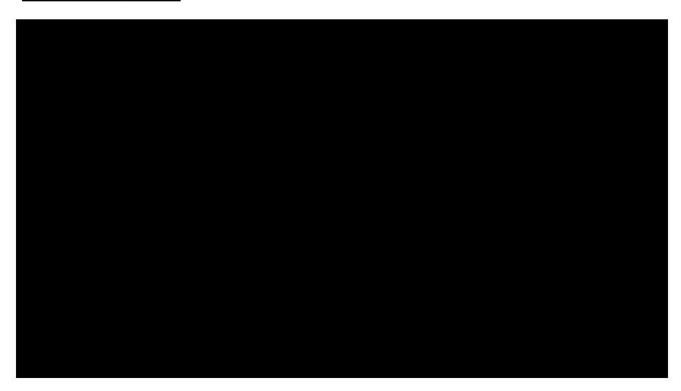
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Section 7: Demographic Shift

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



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

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Exhibit 7.1 shows BCBSAL's current and proposed area rating factors.

Exhibit 7.1: Area Factors			
MSA	Rating Area	Current Area Factors	Proposed Area Factors
Anniston-Oxford, AL	Rating Area 1		
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		

Exhibit 7.2 shows the numerical development of the "2024 Experience Period Average Area Factor" of which was developed as the weighted average of the "Area Factors" using the 2024 membership across rating areas as weights.

Exhibit 7.2 also shows the numerical development of the "2026 Projection Period Average Area Factor" of which was developed as the weighted average of the "Area Factors" using the projected 2026 membership across rating areas as weights.

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Exhibit 7.2: Area Factor Adjust	tment			
MSA	Rating Area	Area Factors	Actual 2024 Enrollment Distribution	Projected 2026 Enrollment Distribution
Anniston-Oxford, AL	Rating Area 1			
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				
2024 Experience Period Avera	ge Area Factor			
2026 Projection Period Averag	ge Area Factor			
Area Factor Adjustment				

Age Factor Adjustment

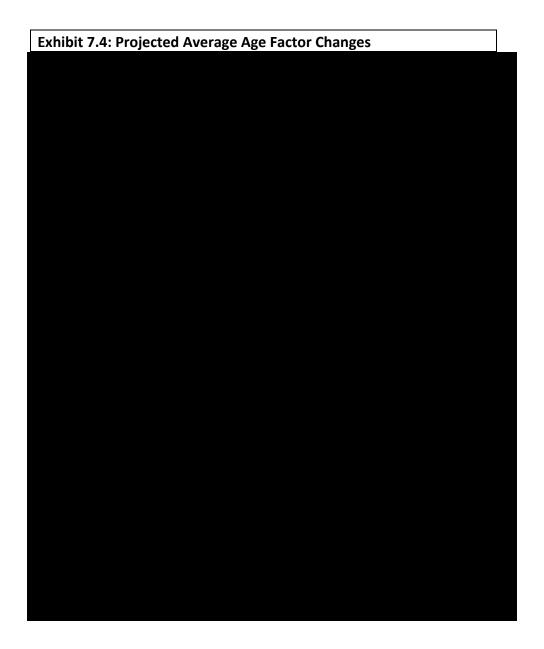
BCBSAL used the age curve described in the paragraph immediately preceding Exhibit 18.2 in calculating the average age factor for both the experience period and the projection period. The average age factor for the projection period was calculated by analyzing historical membership, average age factor, and monthly percentage change in average age. This development can be seen in Exhibits 7.3 and 7.4.

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. 2026 open enrollment is not expected to see as large of a decrease as in prior years due to the expiration of the enhanced APTCs. It was also assumed that younger members would drop coverage throughout the year. The 2026 projection period average age factor is a weighted average of the projected monthly average age factor and the projected total enrollment by month.

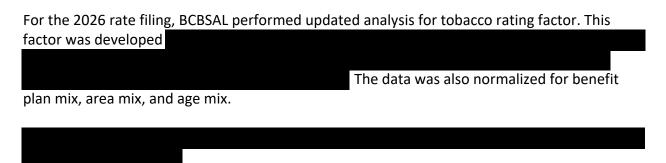
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Tobacco Factor Adjustment



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The experience period tobacco factor was developed using 2024 enrollment by tobacco usage status and exchange status. The latter split of 2024 enrollment was used to see if the distribution of tobacco and non-tobacco users varies by that characteristic. Exhibit 7.5 provides detailed information concerning the development of the 2024 average tobacco factor.

Exhibit 7.5: 2024 Experience Period Average Tobacco Factor						
	Exchange	Member	Tobacco			
Tobacco User	Status	<u>Months</u>	User			
Yes	On Exchange	_				
No	On Exchange	_				
Yes	Off Exchange	_				
No	Off Exchange					
2024 Average Tob	acco Factor					
% of Total Enrollm	ent on Exchange					
2024 On Exchange % Tobacco User						
2024 Off Exchange	e % 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 2026. Results are shown in Exhibit 7.6.

Exhibit 7.6: Percentage of Tobacco Users						
Year	On Exchange	Off Exchange				
2021						
2022						
2023						
2024						
2025 (Jan-Apr)						
2026 (assumed)						

The projection period tobacco factor was developed by combining the assumptions above for percentage of tobacco users and BCBSAL's projected 2026 enrollment by on exchange and off exchange. The numerical development for the 2026 projected average tobacco factor can be found in Exhibit 7.7.

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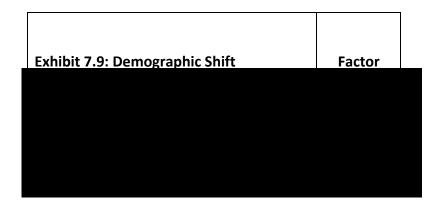
Exhibit 7.7: 20	26 Projection Pe	riod Average T	obacco Factor	
Tobacco User	Exchange Status	Member Months	Tobacco User	
Yes	On Exchange			
No	On Exchange			
Yes	Off Exchange			
No	Off Exchange			
2026 Average T	obacco Factor			
% of Total Enrol	llment on Exchang			
2026 On Exchar	nge % Tobacco Use			
2026 Off Exchai	nge % Tobacco Us			

The calculation for the tobacco for the tobacco factor and can be found in Exhibit 7.8.

Member	Average
Year Months	Tobacco Factor

Total Demographic Shift

Exhibit 7.9 shows the calculation of the total demographic shift factor.



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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.

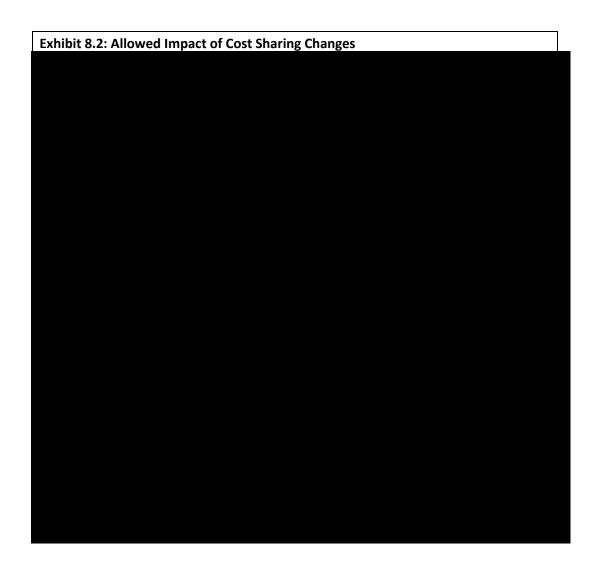
The value of these changes for each plan was calculated by using the Milliman Managed Care Rating Model, which was calibrated to BCBSAL's Individual experience.

More specifically, the Milliman Managed Care Rating Model was used to model both the 2024 and 2026 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 Change	es from 2024 to 20	026 by Plan	
Plan Name	2024 Modeled Allowed Relativities	2026 Modeled Allowed Relativities	Value of Cost Sharing Changes from 2024 to 2026

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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 2024 to 2026 found in Exhibit 8.1.



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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.

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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

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."

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Section 11: Establishing the Index Rate

Information contained in this 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 2024 Individual ACA Index Rate.

	A	В	С	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						
Outpatient Hospital						
Professional						
Other Medical						
Capitation						
Prescription Drug						
Total						

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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.

	A	В	С	D	Е	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						
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:

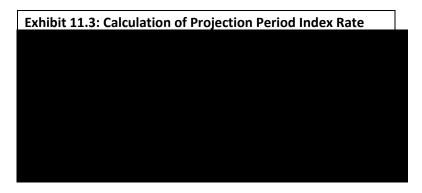
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BCBSAL applied the Projection Factors listed below, and shown in Exhibit 11.3, to the Trended EHB Allowed Claims PMPM to develop the Projection Period Index Rate.

Morbidity Adjustment: Section 6: Morbidity and Other Adjustment, Exhibit 6.1,

• Demographic Shift: Section 7: Demographic Shift, Exhibit 7.9,

Impact of Plan Design Changes: Section 8: Plan Design Changes, Exhibit 8.2, and
 Other: Section 6: Morbidity and Other Adjustment.



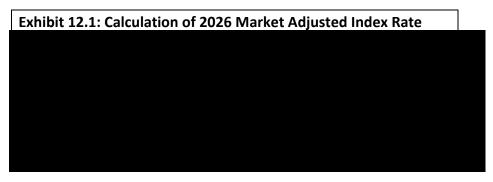
There will be no non-EHBs covered in the Individual Market during 2026, and as described in Section 10, BCBSAL has assigned full credibility to its base period experience and no manual rate adjustment is necessary. Therefore, the Index Rate for the Projection Period is also

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 rounding.

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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 may not match exactly to the Market Adjusted Index Rate in the URRT due to rounding.

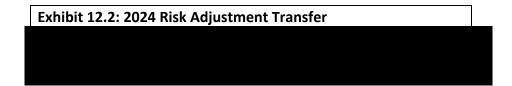


Reinsurance

There are no expected reinsurance recoveries for 2026.

Experience Period Risk Adjustment

The risk adjustment transfer for the 2024 BCBSAL Individual Market is listed in Exhibit 12.2. This amount, which BCBSAL will receive for 2024 net of High-Cost Risk Pool payments and charges, is a compilation of applicable items provided by CMS on 6/30/2025.



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Projected Risk Adjustment PMPM

BCBSAL expects a recovery of PMPM in 2026 from the risk adjustment program, based on the following:



- Per the instructions outlined in the 2026 HHS Final Notice of Benefit and Payment Parameters, risk adjustment transfers will not be reduced in the Alabama Individual Market for any benefit years after 2024.
- 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 2026.
 - 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 shows the calculation for the projected 2026 Risk Adjustment PMPM.

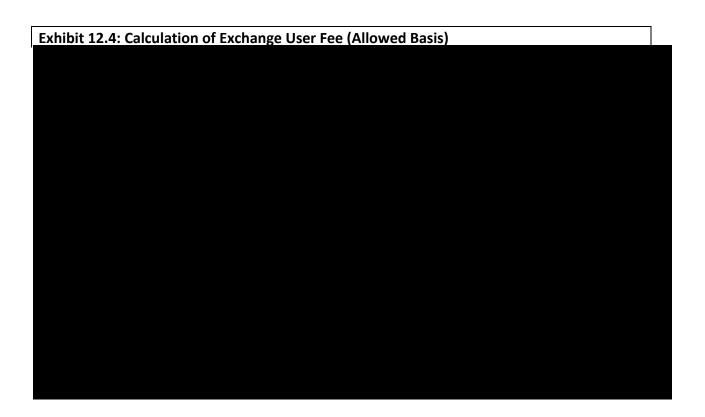
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Exchange User Fee

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 of premium. Exhibit 12.4 provides the detailed development of the exchange user fee on an allowed basis.

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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 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.



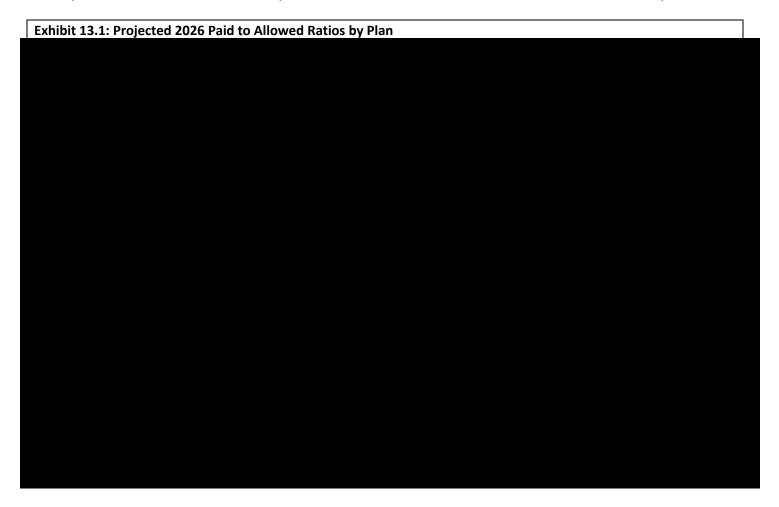
The induced utilization adjustment factors are shown in column C of Exhibit 16.1.

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Paid to Allowed Adjustment Factors

The 2026 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 each plan's Projected 2026 Paid to Allowed Ratio. The paid amount used in this development assumes all members are on the non-CSR Variation plan.



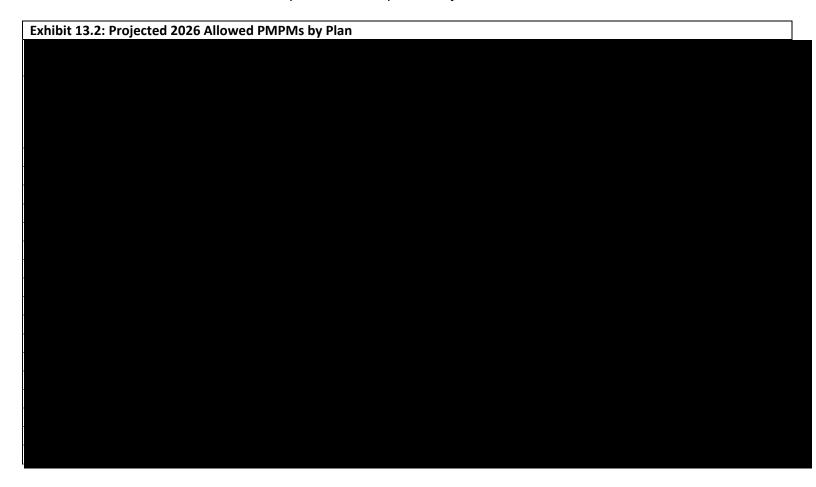
The following items in Exhibit 13.1 were derived using the Milliman Managed Care Rating Model which was calibrated to BCBSAL's Individual experience:

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



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Exhibit 13.2 shows the development of each plan's Projected 2026 Allowed PMPM.



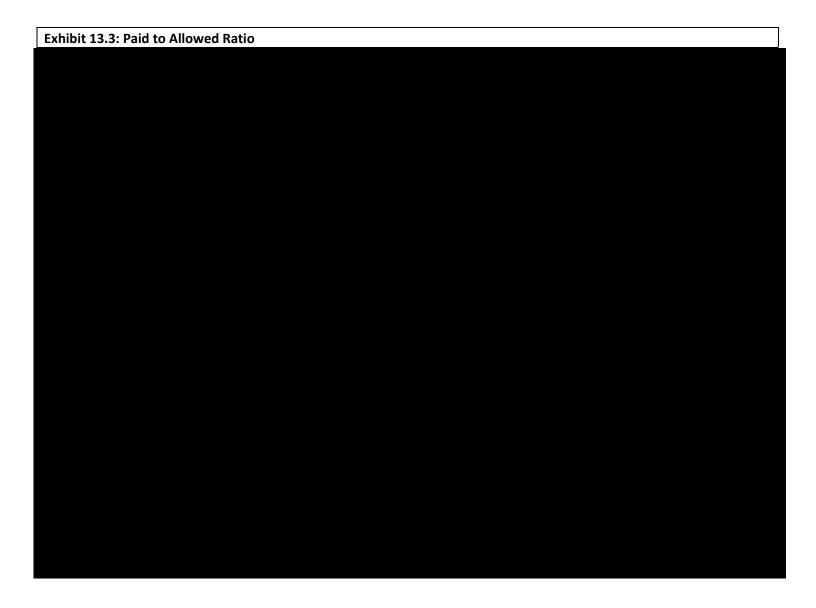
2024 (Actual) Allowed PMPMs shown in Exhibit 13.2 were adjusted for:

- 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



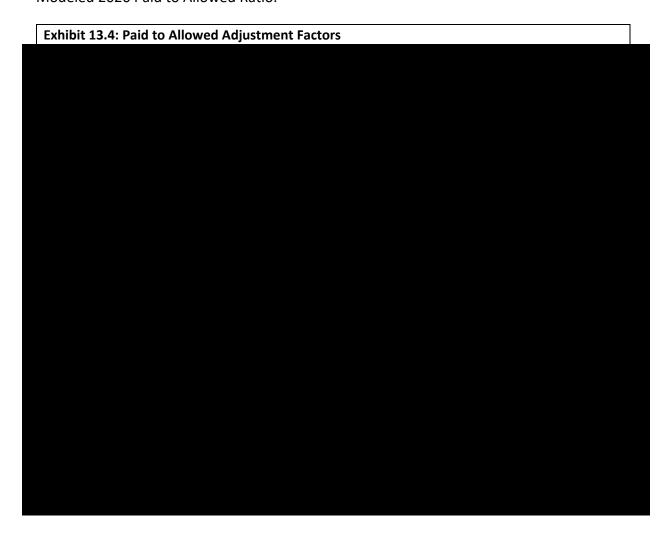
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Exhibit 13.3 shows the calculation of the projected paid to allowed ratio for 2026 using results from Exhibits 13.1 and 13.2.



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Exhibit 13.4 shows the calculation for the Paid to Allowed Adjustment Factor. The Paid to Allowed Adjustment Factor is the Modeled 2026 Paid to Allowed Ratio by plan multiplied by the 2026 Projected Total Paid to Allowed Ratio calculated in Exhibit 13.3 relative to the Total Modeled 2026 Paid to Allowed Ratio.



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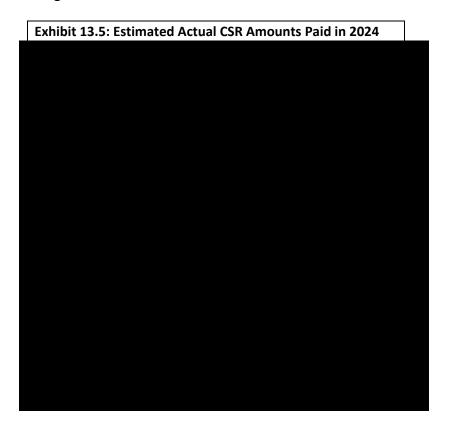
Cost Sharing Reduction (CSR) Adjustment Factor

Given that the federal government will not fund the CSR program in 2026, BCBSAL has made provisions in the development of its Plan Adjusted Index Rates.



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Exhibit 13.5 shows Actual CSR payments for 2024 as was requested in the May 2, 2025 CMS bulletin entitled "Insurance Standards Bulletin Series: Plan Year 2026 Individual Market Rate Filing Instructions."



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 show the development of the CSR Adjustment Factor for the QHP Silver plans for 2026 which were calculated using the 2024 CSR amounts.

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Individual 07/15/2025

Exhibit 13.6: Calculation of QHP Silver CSR Adjustment Factor

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

- Projected 2026 allowed PMPMs,
- Paid to allowed ratios with and without CSR funding, and
- Average members.

The projected allowed PMPMs in column A were developed from the 2024 allowed PMPMs by plan.



Exhibit 13.7 shows the development for the CSR Adjustment Factor for the QHP silver plans. The values shown in lines (a) and (b) of Exhibit 13.7 have been taken from Exhibit 13.6.

Exhibit 13.7: Calculation of QHP Silver Plans CSR Adjustment Factor	
Projected CSR Amounts	
Projected QHP Silver Incurred Paid Amount with CSR Funding	
Loss Ratio QHP Silver to Entire Individual ACA Block	
CSR Adjustment Factor for QHP Silver Claims for Projected CSR Amounts	
CSR Adjustment for Limited Cost Sharing and No Cost Sharing Variation Plans	
QHP Silver Plan CSR Adjustment Factor	

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

This indicates the loss ratio of QHP silver plans is projected to be about of the entire block based on historical and current data.

The factor of 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 2026 do not change the loss ratio of the entire individual ACA block of business.

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This projected impact 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 of as shown in row (f).

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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 2026 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 2026. Assumptions for 2025 are listed for reference only.

Exhibit 14.1: Components of Total URRT Retention				
	Retention Factors			
Component	2025	2026		
Administrative Expenses				
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).

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Exhibit 14.2 shows the taxes and fees components for 2026. The taxes and fees components for 2025 are listed for reference only.

Retention 2025	n Factors
2025	
	2026

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 1.600% percent of premium.

State Premium Tax



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

Risk Adjustment User Fee



1.600%

The HHS Notice of Benefit and Payment Parameters for 2026 established the 2026 risk adjustment user fee at \$0.20 PMPM. This converts to approximately of BCBSAL's 2026 projected individual non-grandfathered premium.

• Patient-Centered Outcomes Research Institute (PCORI) Fee



The IRS indicated a PCORI fee of \$3.47 PMPY for plan years ending on or after 10/01/2024 and before 10/01/2025. By applying projected inflation, a projected PCORI fee of PMPY was developed for plan years ending 12/2026. This converts to approximately of BCBSAL's 2026 projected individual nongrandfathered premium.

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Section 15: Other Plan Level Adjustments

Provider Network	<u>Adjustment</u>		



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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 lower than the modeled incurred PMPM using standard demographics.

CMS age factors only account for a 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 difference between the two populations.

The Catastrophic factor was then rounded to a factor of 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		
	2026 Projected Member	Catastrophic
Plan Name	Months	Factor

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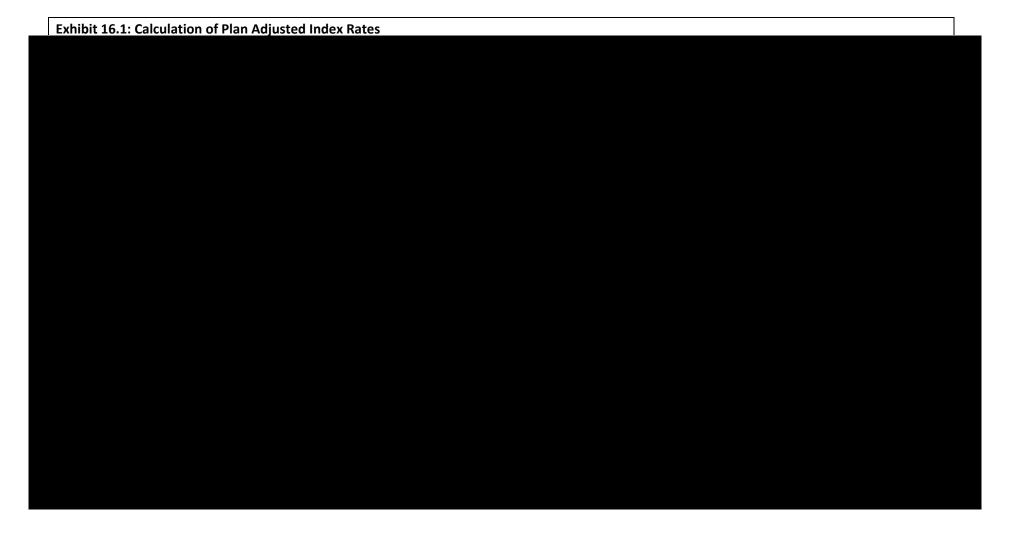
Section 16: Plan Adjusted Index Rates

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 2026.
- Adjustment for administrative costs excluding exchange user fees (Section 14)
- Other plan level adjustments (Section 15)
 - Provider Network
 - o Impact of specific eligibility categories for the catastrophic plan

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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 to the Plan Adjusted Index Rates in the URRT due to rounding.



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Section 17: Calibration

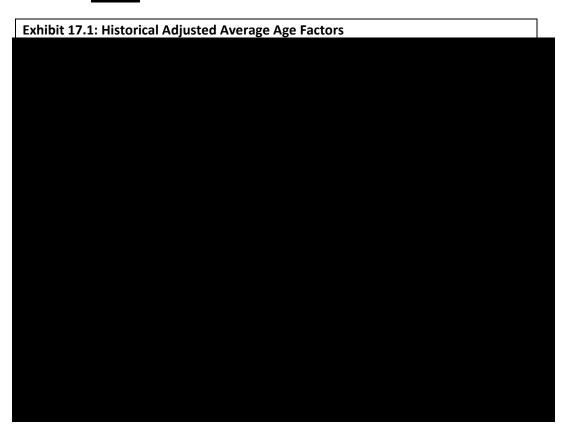
The Plan Adjusted Index Rates are calibrated in this section to an age rating factor of 1.0, a geographic area factor of 1.0, and a tobacco factor of 1.0.

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 shown in Exhibit 17.2.

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.

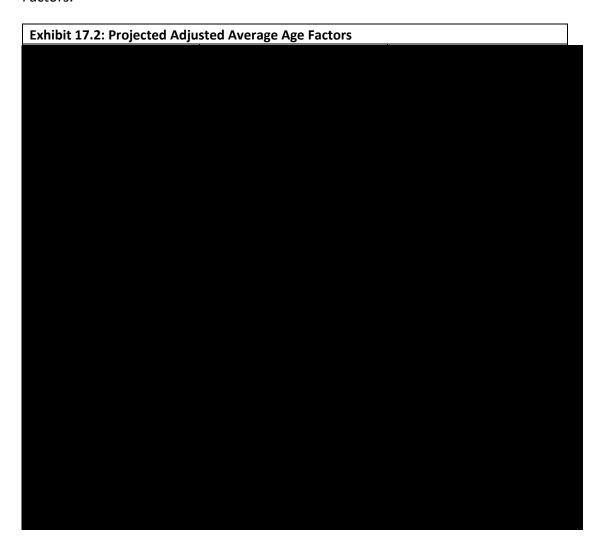
These monthly Adjusted Average Age Factors were compared to the monthly Average Age Factors calculated in Exhibit 7.3 of Section 7. The average percent difference between the two factors was which can be seen in Exhibit 17.1.



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This was applied to the projected Average Age Factors in Exhibit 7.4 of Section 7 to calculate the monthly Projected Adjusted Average Age Factors shown in Exhibit 17.2.

The 2026 Projection Period Average Age Calibration Factor of was developed in Exhibit 17.2 as the member weighted average of the monthly 2026 projected Adjusted Average Age Factors.



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 2026 Average Area Factor of are shown in Section 7.

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Tobacco Calibration

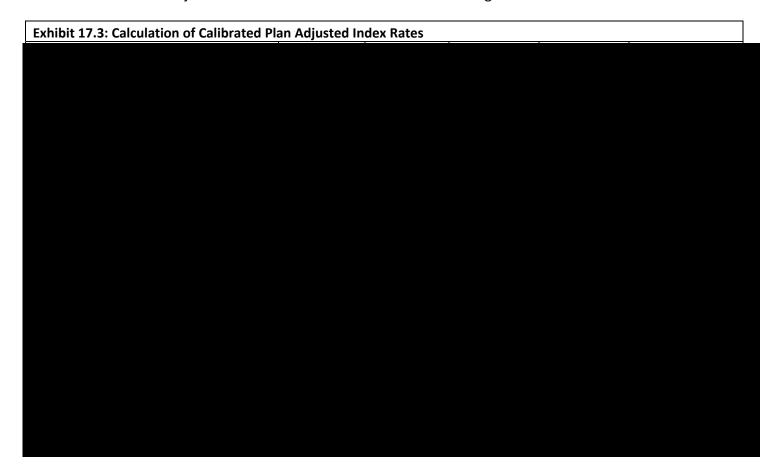
The Plan Adjusted Index Rates were also calibrated for the Projection Period Average Tobacco Factor of

The details of the development of BCBSAL's projected Individual 2026 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 may not match exactly to the Calibrated Plan Adjusted Index Rates in the URRT due to rounding.



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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

- 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.

MSA	Rating Area	Factor
Anniston-Oxford, AL	Rating Area 1	
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	

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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 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 2026.

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.

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Section 19: Projected Loss Ratio

The projected loss ratio for BCBSAL's 2026 ACA Individual Market excluding grandfathered products is calculated below consistent with the federally prescribed MLR methodology of 45 CFR Part 158, 158.221.

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

Exhibit 19.1 lists the variables, definitions, the values taken from BCBSAL's projections for its 2026 Individual Market excluding grandfathered products, and the MLR Result.

Exhibit 19.1 reflects the adjustments made for the 2026 unfunded CSR.

Exhibit 19.1: MLR Variables, Definitions, Values, and MLR Result				
Variable	Definition	Estimated Value		
i	Incurred claims			
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			
р	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			
С	Credibility adjustment			
	MLR Result			

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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	AV Calculator Screenshot	

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

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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, 2026 Actuarial Certification of Unique Plan Design Actuarial Values, Small Group and Individual Markets"

Section 21: Membership Projections

		Base Plans Variation Plans - FPI		Base Plans		s - FPL	
				_	100-	150-	
			Off	On	150 of	200 of	200-25
Plan	Metal	Total	Exchange	Exchange	FPL	FPL	of FPL

Development of Membership Projections

Membership projections by plan (as shown in Exhibit 21.1) were developed using actual enrollment data through May 2025 and modeling monthly enrollment through December 2026, 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 2025 are expected to be similar to the first half of 2025.

There were multiple items BCBSAL considered the impact of when projecting 2026 enrollment:

- Expiring enhanced subsidies through the Inflation Reduction Act
- Continued competition in the Individual market in Alabama

Many members are expected to drop coverage through the Exchange due to the reduction in premium subsides. 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.

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Section 22: Terminated Plans and Products

Plans listed in Exhibit 22.1 have or will have terminated prior to January 1, 2026, and includes 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.

Exhibit 22.1: Individual Market						
Plan Name	Active From	Active To	Mapped To			

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Section 23: Plan Type



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)."

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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 and morbidity assumptions in the projection period.
- Alabama Department of Insurance Individual risk adjustment transfer estimates and 2025 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 2026.
- IRS Notice 2024-83 for PCORI Fee.

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Section 25: Actuarial Certification

I, 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 submitted in June 2025 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 2026 and enhanced APTCs are allowed to expire at the end of 2025. If subsequently, CSR Funding or enhanced APTCs are reinstated, the premium rates in this filing will need an adjustment.

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

Signed,



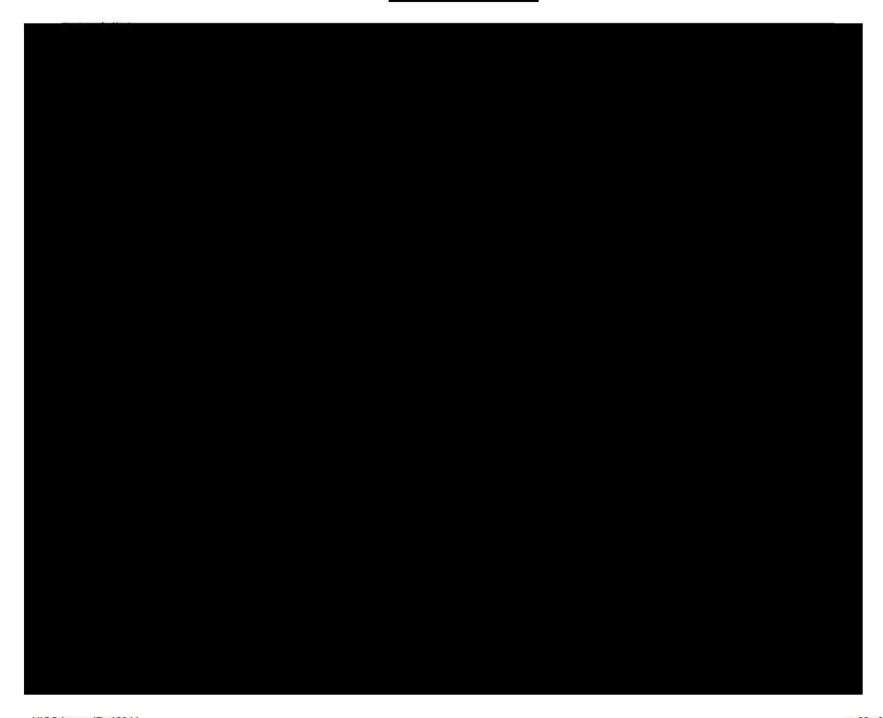
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Appendix

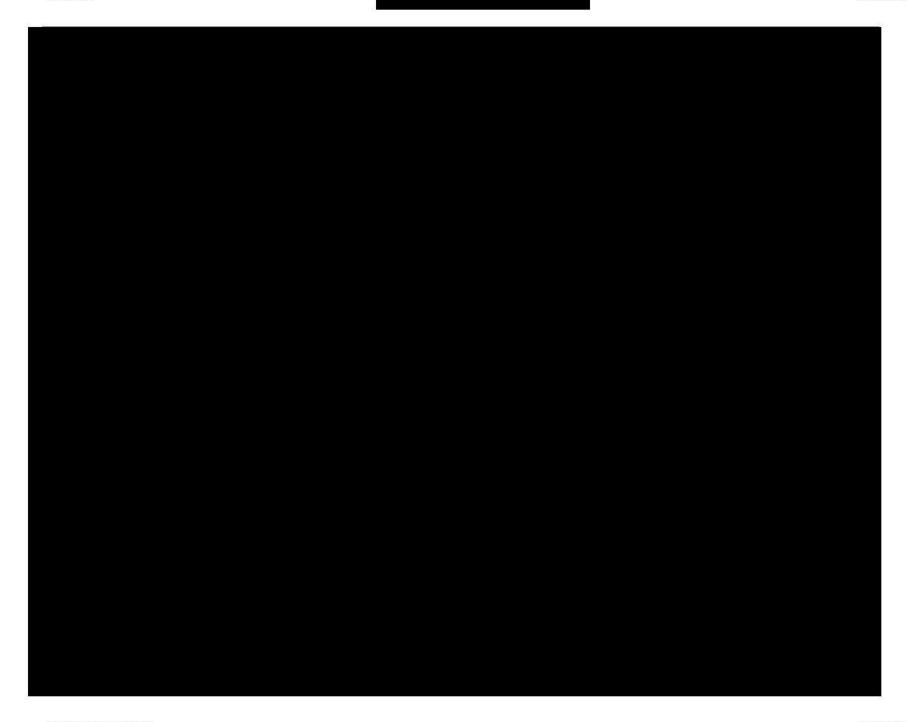
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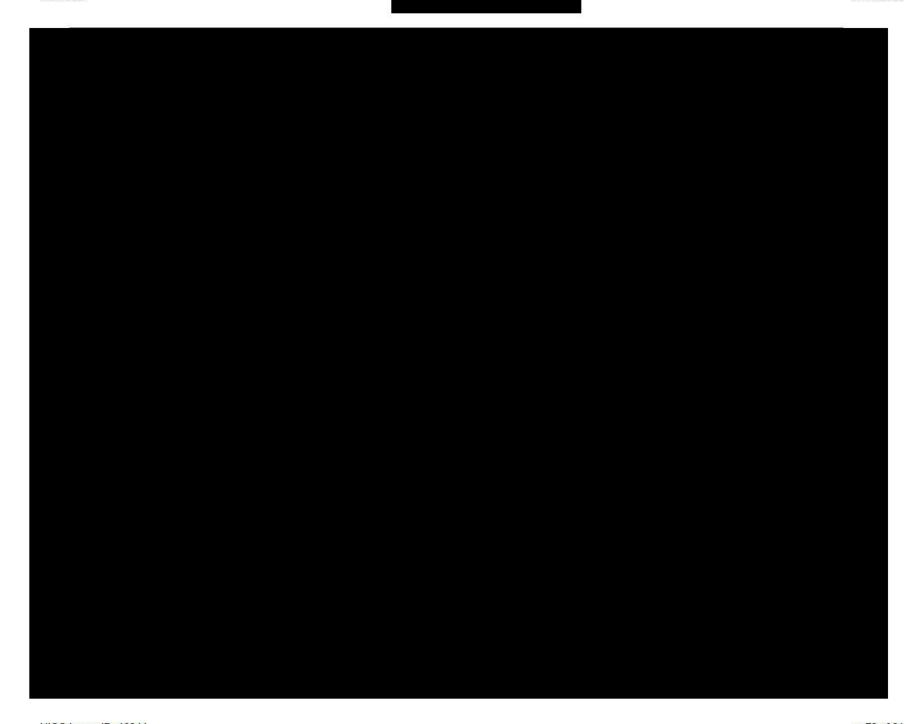
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SUPPLEMENTAL HEALTH CARE EXHIBIT - PART 1



(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 Birmingham, AL, US 35244

NAIC Group Code: 0570 Business in the State of Alabama During the Year: 2024 NAIC Company Code: 55433

NAIC Group Code. 0570 Business in the State C	oi Alabailia							Dulling	j ille real. 2	2024			INAIC	Company C	Joue. 55455
		Business Subject to MLR 10								10	11	12	13	14	15
	Comprehensive Health Coverage Mini-Med Plans Expatriate Plans 9							9			Medicare				
	1	2 Small Group	3 Large Group	4	5 Small Group	6 Large Group	7	8	Student	Government Business (excluded by	Other Health	Advantage Part C and Medicare Part D Stand-Alone Subject to	Subtotal (Cols	Uninsured	
	Individual	Employer	Employer	Individual	Employer	Employer	Small Group	Large Group	Health Plans	statute)	Business	ACA	1 thru 12)	Plans	Total 13 + 14
1. Premium:	1 074 010 000	1 1 (0 0 0 1 0 0 0	3.427.285.617						16.046.132		201 001 026	1 200 101 406	8.199.438.771	XXX	8.199.438.771
1.1 Health premiums earned (From Part 2, Line 1.11)	1,874,213,292	. 1,169,831,208	3,427,285,017						10,040,132		391,881,036	1,320,181,486	8,199,438,771	XXX	8,199,438,//1
1.3 State high risk pools														XXX	
1.4 Premiums earned including state and federal high risk programs (Lines 1.1 + 1.2 + 1.3)	1,874,213,292	1,169,831,208	3,427,285,617						16,046,132		391,881,036	1,320,181,486	8,199,438,771	XXX	8,199,438,771
1.5 Federal taxes and federal assessments	44,020,532	4,851,814	2,789,248						281,681		4,456,939	(9,780,193)	46,620,021	(5,629,571)	40,990,450
1.6 State insurance, premium and other taxes (Similar local taxes of \$)	28,785,516	7,223,782	31,143,514						249,514		2,727,753	588,961	70,719,040	3,816,765	74,535,805
1.6a Community Benefit Expenditures (informational only)	20,700,010	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	0.,0,0						2 17,011		2,, 2,,,, 00		70,713,010		, .,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
1.7 Regulatory authority licenses and fees.	3.446	1,515	2,988						24		1,878	1,780	11,631	13,832	25,463
1.8 Adjusted premiums earned (Lines 1.4 – 1.5 – 1.6 – 1.7)	1,801,403,798		3,393,349,867						15,514,913		384,694,466	1,329,370,938	8,082,088,079	XXX	8,083,887,053
1.9 Net assumed less ceded reinsurance premiums earned	(1,078,956)	(987,685)	(2,164,474)						(50,102)		(7,223,184)	,,	(11,504,401)	XXX	(11.504.401)
1.10 Other adjustments due to MLR calculations – Premiums	(90,355)	` ' /	25,286,401								(1,109,373)	2,494,170	26,269,621	XXX	26,269,621
1.11 Risk revenue	, , , , ,	, ,												XXX	
1.12 Net adjusted premiums earned after reinsurance (Lines 1.8 + 1.9 + 1.10 + 1.11)	1,800,234,487	. 1,156,455,190	3,416,471,794						15,464,811		376,361,909	1,331,865,108	8,096,853,299	XXX	8,098,652,273
2. Claims:	, , .	, , ,							, ,		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		,,,,,,,		
2.1 Incurred claims excluding prescription drugs	. 1,219,411,215	818,784,296	2,322,838,618						9,546,138		366,713,595	1,037,688,769	5,774,982,631	XXX	5,774,982,631
2.2 Prescription drugs	696,104,069		1,223,231,682						6,075,981		7,872,950	332,238,885	2,710,867,288	XXX	2,710,867,288
2.3 Pharmaceutical rebates	223,835,921		313,861,035						2,511,837		8,396,802	153,781,935	880,159,185	XXX	880,159,185
State stop loss, market stabilization and claim/census based assessments (informational only)														xxx	
Incurred medical incentive pools and bonuses												6,060,654	6,060,654	XXX	6,060,654
4. Deductible Fraud and Abuse Detection/Recovery Expenses (for MLR use only)	204,242	285,177	556,965						799		824,228	187,256	2,058,667	2,417,806	4,476,473
5. 5.0 Total incurred claims (Lines 2.1 + 2.2 – 2.3 + 3) (From Part 2, Line 2.15)	. 1,691,679,363	. 1,086,356,362	3,232,209,265						13,110,282		366,189,743	1,222,206,373	7,611,751,388	XXX	7,611,751,388
5.1 Net assumed less ceded reinsurance claims incurred	1,080,000	(426,003)	(14,301)								(13,851,402)		(13,211,706)	XXX	(13,211,706)
5.2 Other adjustments due to MLR calculations – Claims	15,041,000	7,862,000	41,759,766								(1,541,373)	(3,248,717)	59,872,676	XXX	59,872,676
5.3 Rebates paid										XXX	XXX			XXX	
5.4 Estimated rebates unpaid prior year										XXX	XXX			XXX	
5.5 Estimated rebates unpaid current year										XXX	XXX			XXX	
5.6 Fee for service and co-pay revenue														XXX	
5.7 Net incurred claims after reinsurance (Lines 5.0 + 5.1 + 5.2 + 5.3 - 5.4 + 5.5 - 5.6)	. 1,707,800,363	. 1,093,792,359	3,273,954,730						13,110,282		350,796,968	1,218,957,656	7,658,412,358	XXX	7,658,412,358
6. Improving Health Care Quality Expenses Incurred:															
6.1 Improve Health Outcomes	2,115,011	1,730,493	3,283,401						9,942		975,100	6,254,001	14,367,948	11,046,727	25,414,675
6.2 Activities to prevent hospital readmissions	959,543	607,518	2,144,914						4,509		607,954	1,504,636	5,829,074	6,475,697	12,304,771
6.3 Improve patient safety and reduce medical errors	344,203	265,197	806,314						2,343		289,319	3,230,150	4,937,526	2,471,182	7,408,708
6.4 Wellness and health promotion activities	495,275	403,331	1,197,312						4,228		2,047,470	4,881,546	9,029,162	6,700,908	15,730,070
6.5 Health Information Technology expenses related to health improvement	669,559	549,253	1,525,654						5,810		600,230	1,387,624	4,738,130	8,076,532	12,814,662
6.6 Total of Defined Expenses Incurred for Improving Health Care Quality (Lines 6.1 + 6.2 + 6.3 + 6.4 + 6.5).	4,583,591	3,555,792	8,957,595						26,832		4,520,073	17,257,957	38,901,840	34,771,046	73,672,886
7. Preliminary Medical Loss Ratio: MLR (Lines 4 + 5.0 + 6.6 - Footnote 2.0) / Line 1.8	0.942	0.942	0.955						0.847	XXX	XXX	0.933	XXX	XXX	XXX
8. Claims Adjustment Expenses:	ĺ					ĺ									1 1
8.1 Cost containment expenses not included in quality of care expenses in Line 6.6	13,343,796	18,890,418	47,602,558						149,005		11,612,504	27,398,276	118,996,557	132,857,126	251,853,683
8.2 All other claims adjustment expenses	12,059,741	9,718,045	29,946,082						179,646		17,051,327	17,443,613	86,398,454	102,487,224	188,885,678
8.3 Total claims adjustment expenses (Lines 8.1 + 8.2)	25,403,537	28,608,463	77,548,640						328,651		28,663,831	44,841,889	205,395,011	235,344,350	440,739,361
9. Claims Adjustment Expense Ratio (Line 8.3 / Line 1.8)	0.014	0.025	0.023						0.021		0.075	0.034	XXX	XXX	XXX

Supp216.2.AL

SUPPLEMENTAL HEALTH CARE EXHIBIT - PART 1 (CONTINUED) (To Be Filed By April 1 - Not for Rebate Purposes)

				Busi	ness Subject to	MLR				10	11	12	13	14	15
	Compreh	ensive Health (Coverage		Mini-Med Plans	S	Expatria	te Plans	9			Medicare			
	1	2 Small Group	3 Large Group	4	5 Small Group	6 Large Group	7	8	Student	Government Business (excluded by	Other Health	Advantage Part C and Medicare Part D Stand-Alone Subject to	s Subtotal (Cols	Uninsured	
	Individual	Employer	Employer	Individual	Employer	Employer	Small Group	Large Group	Health Plans	statute)	Business	ACA	1 thru 12)	Plans	Total 13 + 14
General and Administrative (G&A) Expenses: 10.1 Direct sales salaries and benefits. 10.2 Agents and brokers fees and commissions. 10.3 Other taxes (excluding taxes on Lines 1.5 through 1.7 and Line 14 below).	1,940,489 2,248,037	2,220,214	5,569,261 .						15,466		1,737,930 1,724,910	2,157,537 7,681,512		10,797,238	24,438,135 11,654,459
10.4 Other general and administrative expenses 10.4a Community Benefit Expenditures (informational only)	51,882,463	32,014,197	84,081,353						1,099,807		60,527,157	53,586,441	283,191,418	265,626,647	
10.5 Total general and administrative (Lines 10.1 + 10.2 + 10.3 + 10.4)	56,070,989	34,234,411	89,650,614						1,115,273		63,989,997	63,425,490		276,423,885 XXX	584,910,659
11. Underwriting Gain/(Loss) (Lines 1.12 – 5.7 – 6.6 – 8.3 – 10.5)	6,376,007	(3,735,835) XXX	(33,639,785). XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	(71,608,960) XXX	(12,617,884)	(114,342,684) XXX	479,766,211	(659,082,991)
13. Net Investment and Other Gain/(Loss)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	172,975,268	XXX	172,975,268
Net investment and other Gain/(Loss). 14. Federal Income Taxes (excluding taxes on Line 1.5 above).	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	32.843.795	XXX	32,843,795
15. Net Gain or (Loss) (Lines 11 + 12 + 13 - 14)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	25,788,789	XXX	(39,185,307)
16. ICD-10 Implementation Expenses (informational only; already included in general expenses and Line 10.4). 16a ICD-10 Implementation Expenses (informational only: already included in Line 10.4)					***************************************	***************************************							23,766,769		(39,103,307)
OTHER INDICATORS:			ĺ												
Number of Certificates/Policies	143,062	100,745	292,167						10,412		452,295	132,412	1,131,093	842,441	1,973,534
Number of Covered Lives.	192,059	183,161	542,689						10,814		722,389	132,412	1,783,524	1,582,124	3,365,648
3. Number of Groups	XXX	16,302	2,228	XXX									18,530	403	18,933
4. Member Months	2,392,456	2,202,853	6,553,238						106,600		8,706,617	1,586,779	21,548,543	18,966,061	40,514,604

Is run-off business reported in Columns 1 through 9 or 12? NO

If yes, show the amount of premiums and claims included: Premiums \$ Claims \$

	AFFORDABLE CARE ACT (ACA) RECEIPTS, PAYMENTS, RECEIVABLES AND PAYABLES								
		Curre	r Year						
		Comprehensive	Health Coverage	Comprehensive Health Covera					
		1	2	3	4				
		Individual Plans	Small Group Employer Plans	Individual Plans	Small Group Employer Plans				
ACA R	Receivables and Payables								
1.	Permanent ACA Risk Adjustment Program								
	1.0 Premium adjustments receivable/(payable)	85,218,257	489,300	52,300,000	(2,100,000)				
2.	Transitional ACA Reinsurance Program								
	2.0 Total amounts recoverable for claims (paid & unpaid)		XXX		XXX				
3.	Temporary ACA Risk Corridors Program								
	3.1 Accrued retrospective premium								
	3.2 Reserve for rate credits or policy experience refunds								
ACA R	Receipts and Payments								
4.	Permanent ACA Risk Adjustment Program								
	4.0 Premium adjustments receipts/(payments)	92,334,864	(2,579,529)	13,839,217	(1,714,680)				
5.	Transitional ACA Reinsurance Program								
	5.0 Amounts received for claims		XXX		XXX				
6.	Temporary ACA Risk Corridors Program								
	6.1 Retrospective premium received								
	6.2 Rate credits or policy experience refunds paid								

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 Birmingham, AL, US 35244

NAIC Group Code: 0570

Business in the State of Alabama

NAIC Company Code: 55433

	Business Subject to MLR							10	11	12	13		
	Comprehensive Health Coverage			Mini-Med Plans		Expatria	ate Plans	9			Medicare		
	1	2	3	4	5	6	7	8		Government Business		Advantage Part C and Medicare Part D Stand-	
	Individual	Small Group Employer	Large Group Employer	Individual	Small Group Employer	Large Group Employer	Small Group	Large Group	Student Health Plans	(excluded by statute)	Other Health Business	Alone Subject to ACA	Total (a)
Health Premiums Earned:		' ′	, ,		, ,	, ,		,		ĺ			(/
1.1 Direct premiums written	1,874,218,659	1,169,584,925	3,426,751,483								391,710,758	1,320,162,322	8,199,070,8°
1.2 Unearned premium prior year	(805,999)	1,238,727	(1,098,615)						550,028		1,344,299	(53,373)	1,175,06
1.3 Unearned premium current year	(800,632)	992,444	(1,632,749)						1,146,568		1,174,021	(72,537)	807,1
1.4 Change in unearned premium (Lines 1.2 – 1.3)	(5,367)	246,283	534,134						(596,540)		170,278	19,164	367,9
1.5 Paid rate credits	· · /												
1.6 Reserve for rate credits current year			14,412,187								1,627,201		16,039,3
1.7 Reserve for rate credits prior year			17,500,929								1,817,208		19,318,1
1.8 Change in reserve for rate credits (Lines 1.6 – 1.7)			(3,088,742)								(190,007		(3,278,7
1.9 Premium balances written off			(0,000,142)								(170,007		(0,270,7
1.10 Group conversion charges													
1.11 Total direct premiums earned (Lines 1.1 + 1.4 – 1.9 + 1.10)	1,874,213,292	1,169,831,208	3,427,285,617						16,046,132		391,881,036	1,320,181,486	8,199,438,7
1.12 Assumed premiums earned from non-affiliates	1,074,213,232	1,109,031,200	3,427,203,017						10,040,132		391,001,030	1,320,101,400	0,199,430,7
1.13 Net assumed less ceded premiums earned from affiliates	(789,417)	(723,174)	(1,585,367)						(35,178)		(7,223,184		(10,356,3
		264,511	579,107								(7,223,104		1,148,0
1.14 Ceded premiums earned to non-affiliates	289,539	(311,222)							14,924		(1 100 070	2,494,170	1,148,0
1.15 Other adjustments due to MLR calculation – Premiums	(90,355)		25,286,401						45006000		(1,109,373		
1.16 Net premiums earned (Lines 1.11 – 1.5 – 1.8 + 1.12 + 1.13 – 1.14 + 1.15)	1,873,043,981	1,168,532,301	3,453,496,286						15,996,030		383,738,486	1,322,675,656	8,217,482,7
Direct Claims Incurred:													
2.1 Paid claims during the year	1,699,330,248	1,093,304,431	3,276,807,471						14,401,045		354,980,897	1,238,029,889	7,676,853,98
2.2 Direct claim liability current year	140,735,228	102,017,080	375,421,795						3,103,000		36,685,353	103,173,996	761,136,4
2.3 Direct claim liability prior year	145,759,121	98,076,127	378,536,106						2,885,000		34,272,496	123,590,090	783,118,9
2.4 Direct claim reserves current year											15,241,704		15,241,7
2.5 Direct claim reserves prior year											13,686,853		13,686,8
2.6 Direct contract reserves current year			128,185,743								268,713,291	684,337	397,583,3
2.7 Direct contract reserves prior year			154,074,509								259,347,286	3,178,507	416,600,3
2.8 Paid rate credits													
2.9 Reserve for rate credits current year			14,412,187								1,627,201		16,039,3
2.10 Reserve for rate credits prior year			17,500,929								1,817,208		19,318,1
2.11 Incurred medical incentive pools and bonuses (Lines 2.11a + 2.11b - 2.11c)												6,060,654	6,060,6
2.11a Paid medical incentive pools and bonuses current year												4,208,654	4,208,6
2.11b Accrued medical incentive pools and bonuses current year												3,630,000	3,630,0
2.11c Accrued medical incentive pools and bonuses prior year												1,778,000	1,778,0
2.12 Net health care receivables (Lines 2.12a – 2.12b)	2,626,991	10,889,023	12,506,388						1,508,763		1,934,860	(1,026,094)	28,439,9
2.12a Health care receivables current year	111,363,180	81,493,580	121,303,209						1,996,107		6,396,055	237,459,647	560,011,7
2.12b Health care receivables prior year	108,736,189	70,604,557	108,796,821						487,344		4,461,195		531,571,8
2.13 Group conversion charge	, , , ,	,,,,,,							,		, , ,	, , ,	,
2.14 Multi-option coverage blended rate adjustment													
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)	1,691,679,364	1,086,356,361	3,232,209,264						13,110,282		366,189,743	1,222,206,373	7,611,751,3
2.16 Assumed incurred claims from non-affiliates	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,										,,,	
2.17 Net assumed less ceded incurred claims from affiliates	1,080,000	(427,000)	(14,301)								(13,851,402		(13,212,7
2.18 Ceded incurred claims to non-affiliates	1,000,000	(997)	(1-7,001)								(10,001,402		(13,212,7
2.19 Other adjustments due to MLR calculation – Claims	15.041.000	7,862,000	41,759,766								(1,541,373	(3.248.717)	59,872,6
2.20 Net Incurred Claims (Lines 2.15 – 2.8 – 2.9 + 2.10 + 2.16 + 2.17 – 2.18 +	13,041,000	7,002,000	41,/32,/00								(1,041,3/3	(3,240,717)	39,072,0
2.19)	1,707,800,364	1,093,792,358	3,277,043,471						13,110,282		350,986,975	1,218,957,656	7,661,691,1
Fraud and Abuse Recoveries that Reduced PAID Claims in Line 2.1 above													
(informational only)	204,242	285,177	556,965						799		824,228	187,256	2,058,66

BCBSAL Individual



STATE OF ALABAMA

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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

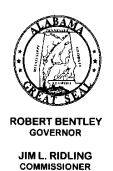
2020 Age Curve for Individual Market								
Age	Ratio		Age	Ratio				
0	0.635	T	33	1.198				
1	0.635		34	1.214				
2	0.635		35	1.222				
3	0.635	T	36	1.230				
4	0.635		37	1.238				
5	0.635		38	1.246				
6	0.635	Т	39	1.262				
7	0.635		40	1.278				
8	0.635		41	1.302				
9	0.635	Т	42	1.325				
10	0.635		43	1.357				
11	0.635		44	1.397				
12	0.635	T	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	Τ	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	Τ	57	2.437				
25	1.004		58	2.548				
26	1.024		59	2.603				
27	1.048	T	60	2.714				
28	1.087		61	2.810				
29	1.119		62	2.873				
30	1.135	T	63	2.952				
31	1.159		64 and Older	3.000				
32	1.183							

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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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DEPUTY COMMISSIONER CHARLES M. ANGELL CHIEF EXAMINER RICHARD L. FORD STATE FIRE MARSHAL EDWARD S. PAULK GENERAL COUNSEL REYN NORMAN

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	I County Name	
(for federal systems)	County Name	(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	

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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	

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