

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

**Part III Actuarial Memorandum and Certification**

**Small Group Market  
Effective January 1, 2020**

**July 24, 2019**

## Table of Contents

Section	Section Description
1	General Information
2	Proposed Rate Changes
3	Experience and Current Period Premium, Claims, and Enrollment
4	Benefit Categories
5	Trend Factors
6	Morbidity Adjustment
7	Demographic Shift
8	Plan Design Changes
9	Manual Rate Adjustments
10	Credibility of Experience
11	Establishing the Index Rate
12	Development of the Market-Wide Adjusted Index Rate
13	Actuarial Value and Cost Sharing
14	Administrative Costs
15	Other Plan Level Adjustments
16	Plan Adjusted Index Rates
17	Calibration
18	Consumer Adjusted Premium Rate Development
19	Projected Loss Ratio
20	AV Metal Values
21	Membership Projections
22	Terminated Plans and Products
23	Plan Type
24	Reliance
25	Actuarial Certification

**Blue Cross and Blue Shield of Alabama**  
**Part III Actuarial Memorandum and Certification**  
**Small Group Market**  
**Effective January 1, 2020**

**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 "Draft 2020 Unified Rate Review Instructions, Rate Filing Justification: Parts I, II, and III" (as of May 2019). 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, Small Group Market health plans. These submitted rates are effective for new issues and renewals occurring during 2020.

This memorandum contains data, analysis, and explanations supporting the assumptions and methodology used in the premium rate development for products in the Small Group 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 Small Group 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.

<b>Exhibit 1.1: Company Identifying Information</b>	
Company Legal Name:	Blue Cross and Blue Shield of Alabama
State with Regulatory Authority:	Alabama
HIOS Issuer ID:	46944
Market:	Non-Grandfathered Small Group
Effective Date:	January 1, 2020

<b>Exhibit 1.2: Primary Company Contact Information</b>	
Name:	Cameron Daniel
Title:	Manager Actuarial Services

## 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.

<b>Exhibit 1.3: Small Group Market</b>			
<b>Market</b>	<b>Product ID</b>	<b>Plan ID</b>	<b>Plan Name</b>
Small Group	46944AL028	46944AL0280001	Blue Choice Platinum for Business
Small Group	46944AL034	46944AL0340001	Blue Access Gold for Business
Small Group	46944AL038	46944AL0380001	Blue Secure Silver for Business
Small Group	46944AL043	46944AL0430001	Blue Saver Bronze for Business
Small Group	46944AL067	46944AL0670001	Blue Secure Gold for Business
Small Group	46944AL068	46944AL0680001	Blue HSA Silver for Business

## Section 2: Proposed Rate Changes

BCBSAL will continue to offer in 2020 all six of the plans available in 2019. Exhibit 2.1 shows the proposed average rate change by renewal quarter.

<b>Renewal Quarter</b>	<b>Average Rate Change</b>
Q1 2020	7.3%
Q2 2020	7.3%
Q3 2020	7.3%
Q4 2020	7.3%
<b>Average Rate Change</b>	<b>7.3%</b>

The average rate change proposed is 7.3%. The quarterly rate factor applied for 2020 represents an annualized trend of ■■■, which is the same as the quarterly rate factor used in the 2019 filing.

The main considerations for the proposed rate increases are:

- Projected medical inflation and increased utilization as indicated in Section 5: Trend Factors, and
- The health insurance tax returning for the 2020 and 2021 calendar years.

Other factors affecting the proposed rates are:

- Changes in member cost sharing (varies by plan), and
- Changes in the risk adjustment program and new information about the risk adjustment high cost risk pool charges.

Exhibit 2.2 provides a breakdown of the components of the average rate increase. While the 2020 premium rates were not developed using the method shown in Exhibit 2.2, it is provided for illustrative purposes, and as a reasonableness check of the overall average rate increase. Please note that the components of the total required rate increase as shown in Exhibit 2.2 are multiplicative rather than additive and unrounded values were used in the calculation.

<b>Exhibit 2.2: Components of Rate Increase</b>	
<b>Components of Rate Increase</b>	<b>Required Premium Increase from 2019 to 2020</b>
Incurred Claims Trend (includes leveraging)	
Health Insurance Tax returning in 2020	
Average Impact of Cost Sharing Changes	
Risk Adjustment Changes	
2019 Projected Experience less adverse than expected	
<b>Required Premium increase in 2020 from 2019 Premiums</b>	<b>7.3%</b>

The rate change by plan varies slightly due to member cost sharing changes that vary by plan.

Such rate variation by plan reflects neither potential nor existing differences in morbidity. The rate changes by plan applicable to each quarter are shown below in Exhibit 2.3. The overall average rate change is weighted by membership using May 2019 enrollment. The rate changes are the same for each renewal quarter.

<b>Exhibit 2.3: Plan Level Rate Changes for 2020 by Renewal Quarter</b>					
<b>Plan</b>	<b>1<sup>st</sup> Qtr</b>	<b>2<sup>nd</sup> Qtr</b>	<b>3<sup>rd</sup> Qtr</b>	<b>4<sup>th</sup> Qtr</b>	<b>Average Rate Change</b>
Blue Choice Platinum for Business	8.2%	8.2%	8.2%	8.2%	<b>8.2%</b>
Blue Access Gold for Business	8.0%	8.0%	8.0%	8.0%	<b>8.0%</b>
Blue Secure Gold for Business	8.0%	8.0%	8.0%	8.0%	<b>8.0%</b>
Blue Secure Silver for Business	6.1%	6.1%	6.1%	6.1%	<b>6.1%</b>
Blue HSA Silver for Business	8.0%	8.0%	8.0%	8.0%	<b>8.0%</b>
Blue Saver Bronze for Business	8.0%	8.0%	8.0%	8.0%	<b>8.0%</b>
<b>Average Rate Change</b>	<b>7.3%</b>	<b>7.3%</b>	<b>7.3%</b>	<b>7.3%</b>	<b>7.3%</b>

### **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 Small Group Market.

#### Experience Period

12 months of calendar year 2018 based on the claim incurred date

#### Paid Through Date

May 31, 2019

#### Current Date

Current enrollment and premium found in Section 2 of Worksheet 2 is reported as of May 31, 2019.

#### Premiums (net of MLR Rebate) in Experience Period

The reported premium in Section I of Worksheet 1 is [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. Reflects MLR rebates of \$0 as BCBSAL's Small Group MLR for 2015, 2016, and 2017 combined was 0.884 (taken from CMS MLR & Rebate Calculation filed 07/30/2018). The 2018 Small Group MLR taken from the 2018 Supplemental Health Care Exhibit – Part 1 was 0.871. Consequently, BCBSAL has assumed a 2018 MLR in excess of the minimum 0.800 threshold.

#### 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 Small Group 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 paid claims prior to any adjustments)

IBNP was estimated by subtracting actual rebates from ultimate rebates. Ultimate rebates were derived by applying member months to an estimated pure premium.

- (3) Capitation Payments and Facility Retroactive Settlement Claims (magnitude less than [REDACTED] of paid claims prior to any adjustments)

IBNP is \$0.

For Rebates, Capitation Payments, and Facility Retroactive Settlement Claims, 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 2018 with claims paid through May 31, 2019, 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 2018 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 2018. To the extent that the 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).

<b>Exhibit 3.1: Incurred Claims</b>					
<b>Benefit Category</b>	<b>In System</b>	<b>Out System</b>	<b>IBNP</b>	<b>Total</b>	<b>Completion Factor</b>

<b>Exhibit 3.2: Allowed Claims</b>					
<b>Benefit Category</b>	<b>In System</b>	<b>Out System</b>	<b>IBNP</b>	<b>Total</b>	<b>Completion Factor</b>

<b>Exhibit 3.3: Column Heading Definitions</b>	
<b>Heading</b>	<b>Definition</b>
In System	Claims processed through BCBSAL's claim system
Out System	Claims processed outside of BCBSAL's claim system
IBNP	2018 Claims incurred but not paid as of 05/31/2019 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 2018 Supplemental Health Care Exhibits of BCBSAL's 2018 Annual filing. The data in the Appendix do not equal the experience period data (year 2018) used in the URRT in the development of the 2020 rates due to differences in requirements, instructions, timing, and the classification of small groups.

## **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 PBM.

## Section 5: Trend Factors

### Trend Factors (Cost/Utilization)

BCBSAL cost and utilization projection trends by benefit category are determined by examining experience trends, and incorporating knowledge of provider reimbursement arrangements, utilization patterns by benefit category, and any pending changes of reimbursement or utilization. BCBSAL also used actuarial judgement with considerations for changes in demographics, benefits, seasonality, and one-time events.

Exhibit 5.1 shows the components of trend broken into Year 1 (2019) and Year 2 (2020).

<b>Exhibit 5.1 Underlying Trend Factor Development</b>	
<b>Benefit Category</b>	
Inpatient	
Outpatient	
Professional	
Other Medical	
Capitation	
Prescription Drug	
Composite Trend	

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. Exhibit 8.3 shows the calculation of the Annualized Product Mix Trend Factor, [REDACTED]. It is assumed that this two year annualized average will have a constant impact for both 2019 and 2020. The resulting Utilization Trends for Year 1 and Year 2 used in rate development are calculated as the Underlying Utilization Trend multiplied by the Annualized Product Mix Trend Factor.

Exhibit 5.2 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 8.3.

<b>Exhibit 5.2 URRT Trend Factors</b>	
<b>Benefit Category</b>	
Inpatient	
Outpatient	
Professional	
Other Medical	
Capitation	
Prescription Drug	
Composite Trend	

## Section 6: Morbidity Adjustment

### Population Morbidity



## Section 7: Demographic Shift

Demographic changes were estimated using the State Established 2020 Age Curve and BCBSAL's area 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. Small Groups' rating areas are established using the group policyholder's principal business address.



In order to reflect delivery cost differences only, BCBSAL normalized the data using concurrent DxCG risk scores to adjust for differences in population morbidity. The data was also normalized for benefit plan mix and the impact of large claimants.

Exhibit 7.1 shows the numerical development of the 2018 experience period average area factor of [REDACTED] which was developed as the weighted average of the 2020 area factors using the actual 2018 enrollment across rating areas as weights.

Exhibit 7.1 also shows the numerical development of the 2020 projection period average area factor of [REDACTED] which was developed as the weighted average of the 2020 area factors using the projected 2020 enrollment across rating areas as weights.

The projected 2020 membership distribution across rating areas is assumed to be identical to that of May 2019 for Small Group.

<b>Exhibit 7.1: Area Factor Adjustment</b>	
<b>MSA</b>	<b>Rating Area</b>
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	



- Age Factor Adjustment

BCBSAL used the State Established 2020 Age Curve in calculating both the average experience period age factor and the average projection period age factor. The average projection period age factor was calculated by analyzing historical membership, average age factor, and monthly percentage change in the average age factor. This development can be seen in Exhibits 7.2 and 7.3.

In the exhibits, the Monthly Change is the actual change in the total average age factor by month. BCBSAL used the average monthly percentage change impact in the historical data as a basis for the monthly percent change impact in the projected data. The 2020 Projection Period Average Age Factor is a weighted average of the projected monthly Average Age Factor and the projected Total Members.

<b>Exhibit 7.2: Historical Average Age Factor Change Analysis</b>				
<b>Month</b>	<b>Data Type</b>	<b>Total Members</b>	<b>Average Age Factor</b>	<b>Monthly Change</b>

<b>Exhibit 7.3: Projected Average Age Factor Changes</b>				
<b>Month</b>	<b>Data Type</b>	<b>Total Members</b>	<b>Average Age Factor</b>	<b>Monthly Change</b>

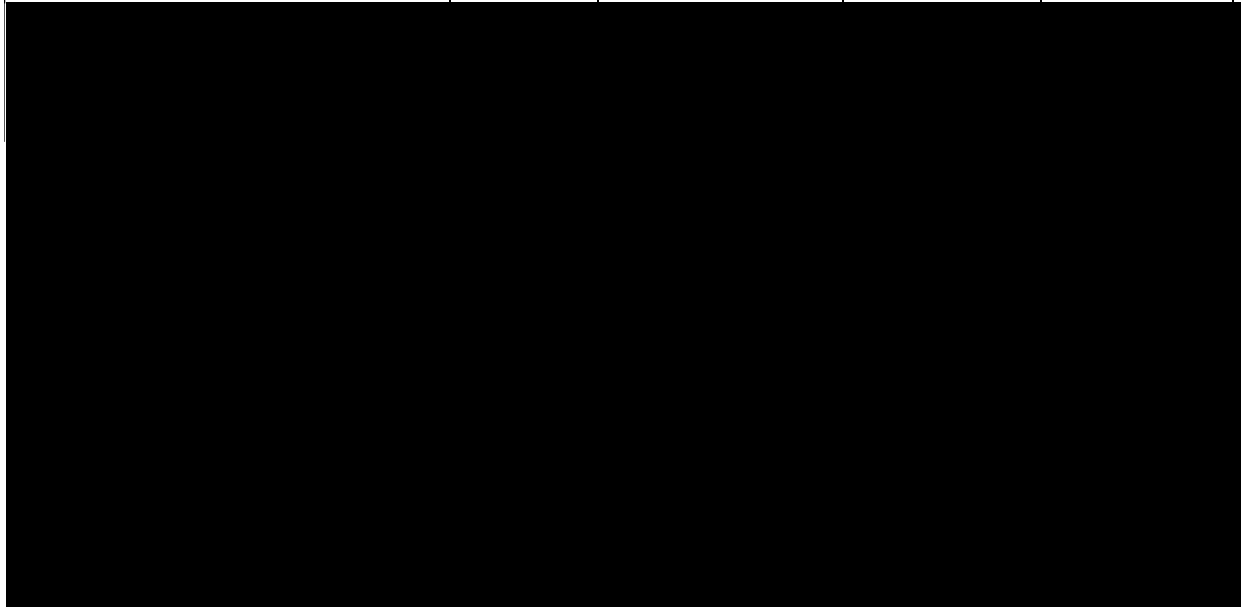
--	--	--	--	--

- Tobacco Factor Adjustment

BCBSAL does not rate for tobacco usage in the Small Group Market so the tobacco factor adjustment is 1.000.

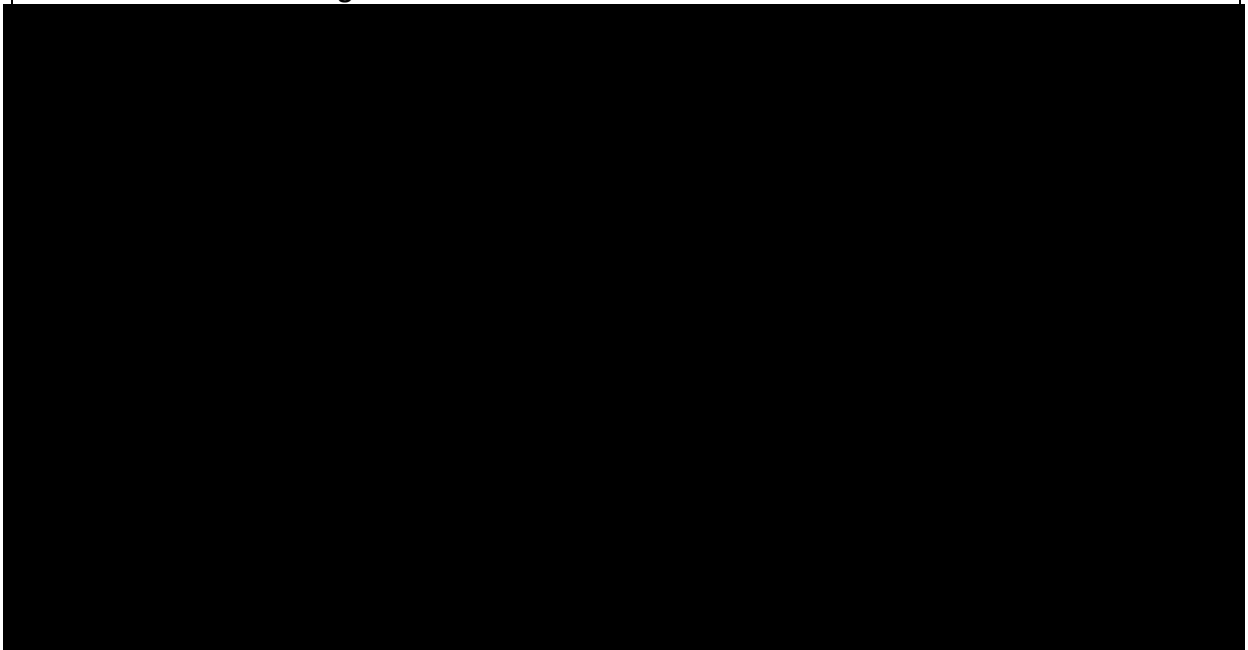


**Exhibit 8.2: Combined Impact due to Change in Product Mix and Cost Sharing Changes**



BCBSAL was able to then calculate the impact due only to the change in product mix, which is the change in allowed cost due to the expected shift in distribution of members by plan between the experience period and the projection period. Experience period modeled allowed relativities were used and kept constant when comparing 2018 to 2020. This calculation is shown in Exhibit 8.3.

**Exhibit 8.3: Value of Change in Product Mix**



The highlighted values in Exhibit 8.2 and Exhibit 8.3 denote plans that are new in 2019 and did not have 2018 experience. Therefore, the experience period allowed relativities for these plans were derived using modeled relativities from the Milliman Managed Care Rating Model, which was calibrated to BCBSAL's Small Group experience.

Using the values in Exhibit 8.2 and Exhibit 8.3, BCBSAL was then able to calculate the value of the cost sharing changes (including drug formulary changes) which is the value of the change in product mix and cost sharing changes divided by the value of the change in product mix.



## **Section 9: Manual Rate Adjustments**

No manual rate 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 Small Group URRT as this experience is comprised of [REDACTED] member months in 2018 which is equivalent to [REDACTED] life years.

This assignment of full credibility is consistent relative to:

- (1) Actuarial Standards of Practice #25, specifically section 3.4, "Professional Judgment," 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," and
- (2) MLR standard of 75,000 life years for full credibility as stated in 45 CFR Part 158, §158.232(b)(2).

**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 2018 Small Group ACA Index Rate.

<b>Exhibit 11.1: Calculation of Experience Period Index Rate</b>						
	<b>A</b>	<b>B</b>	<b>C</b>	<b>D = B / C * 12000</b>	<b>E = A / B</b>	<b>F = D * E / 12000</b>
<b>Benefit Category</b>	<b>Allowed Claims</b>	<b>Utilization</b>	<b>Member Months</b>	<b>Utilization/1000</b>	<b>Cost/Service</b>	<b>Experience Period Allowed Claims PMPM</b>
Inpatient						
Outpatient						
Professional						
Other Medical						
Capitation						
Prescription Drug						
<b>Total</b>						

The Index Rate equals the allowed claims PMPM from the experience period less non-EHB claims [REDACTED]. The non-EHBs covered in the experience period were adult vision and bariatric surgery benefits on the Blue Choice Platinum for Business plan, along with cone beam coverage on both pediatric dental and medical benefits on all plans.

Experience Period Index Rate PMPM = [REDACTED]



**Projection Period Index Rate**

BCBSAL applied the trend factors from Exhibit 5.2 in Exhibit 11.2 to the Experience Allowed Claims PMPM for EHBs to develop the Trended EHB Allowed Claims PMPM.

<b>Exhibit 11.2: Trending EHB Allowed Claims PMPM</b>						
	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F = A * B * C * D * E</b>
<b>Benefit Category</b>	<b>Experience Period Allowed Claims PMPM</b>	<b>Year 1 Cost Trend</b>	<b>Year 1 Utilization Trend</b>	<b>Year 2 Cost Trend</b>	<b>Year 2 Utilization Trend</b>	<b>Trended EHB Allowed Claims PMPM</b>
Inpatient						
Outpatient						
Professional						
Other Medical						
Capitation						
Prescription Drug						
<b>Total</b>						

The Cost and Utilization Trend factors are in total applied for the 24 months from the mid-point of the experience period to the mid-point of the projection period. For example, the Trended EHB Allowed Claims PMPM for Other Medical is calculated as follows:







[REDACTED]

[REDACTED]

**Exchange User Fee**

Since issuers are not required to pay user fees for SHOP enrollment in 2020, the projected Exchange User Fee PMPM amount is \$0.00.

### 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 Small Group Market. They were developed using the Milliman Managed Care Rating Model using a standard population and 2015, 2016, and 2017 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. The induced utilization adjustment factors are shown in Exhibit 16.1.

#### Paid to Allowed Adjustment Factors

Formulaically, the Paid to Allowed Ratio is derived as follows:

$$\frac{\text{Paid}}{\text{Allowed}} = \frac{\sum_{Plan} \text{Member Months} \times \text{Allowed PMPM} \times \text{Paid-to-Allowed Ratio}}{\sum_{Plan} \text{Member Months} \times \text{Allowed PMPM}}$$

Intuitively, the quotient's numerator is an implicit measure of incurred claims and the quotient's denominator is an implicit measure of allowed claims where both the incurred and allowed claims are adjusted for drug rebates and capitation payments. This amount was determined to be a negative adjustment with a magnitude of [REDACTED] of projected paid.

Mechanically, the calculation of BCBSAL's Paid to Allowed Ratio is shown in exhibit 13.1.

Exhibit 13.1: Paid to Allowed Ratio					
	A	B	C	D = A x B x C	E = A x B
Plan Name	Projected Member Months	Projected Allowed PMPM <sup>1</sup>	Projected Paid to Allowed Ratio <sup>2</sup>	Projected Paid Amount (Numerator)	Projected Allowed Amount (Denominator)
[REDACTED]					

<sup>1</sup>Projected 2020 allowed PMPM calculations can be found below in exhibit 13.3.

<sup>2</sup>Projected 2020 paid to allowed ratio calculations can be found below in exhibit 13.2.



**Projected Paid to Allowed Ratios by Plan in 2020**

Exhibit 13.2 shows the development of the each plan’s Projected 2020 Paid to Allowed Ratio as listed in column C of Exhibit 13.1.

<b>Exhibit 13.2: Projected 2020 Paid to Allowed Ratios by Plan</b>				
	<b>A</b>	<b>B</b>	<b>C</b>	<b>D = A x B x C</b>
<b>Plan Name</b>	<b>2018 (Actual) Paid to Allowed Ratio</b>	<b>Increase Due to Leveraging</b>	<b>Impact of Cost Sharing Changes</b>	<b>Projected 2020 Paid to Allowed Ratio</b>
[Redacted Content]				

The Increase Due to Leveraging (column B) and the Impact of Cost Sharing Changes (column C) were derived from the Milliman Managed Care Rating Model, which was calibrated to BCBSAL’s Small Group experience.

The highlighted values in Exhibit 13.2 denote plans that are new in 2019 and did not have 2018 experience. Therefore, the projected paid to allowed ratios for these plans were derived from the Milliman Managed Care Rating Model, which was calibrated to BCBSAL’s Small Group experience.

**Projected Allowed PMPMs by Plan in 2020**

Exhibit 13.3 shows the development of the each plan’s projected 2020 allowed PMPM as listed in column B of Exhibit 13.1.

<b>Exhibit 13.3: Projected 2020 Allowed PMPMs by Plan</b>				
	<b>A</b>	<b>B</b>	<b>C</b>	<b>D = A x B x C</b>
<b>Plan Name</b>	<b>2018 (Actual) Allowed PMPM</b>	<b>Trend Factor</b>	<b>Impact of Cost Sharing Changes</b>	<b>Projected 2020 Allowed PMPM</b>

The Impact of Cost Sharing Changes (column C) was derived from the Milliman Managed Care Rating Model, which was calibrated to BCBSAL’s Small Group experience. The Trend Factor (column B) applies two years of the composite trend factor developed in Section 5 in Exhibit 5.1.

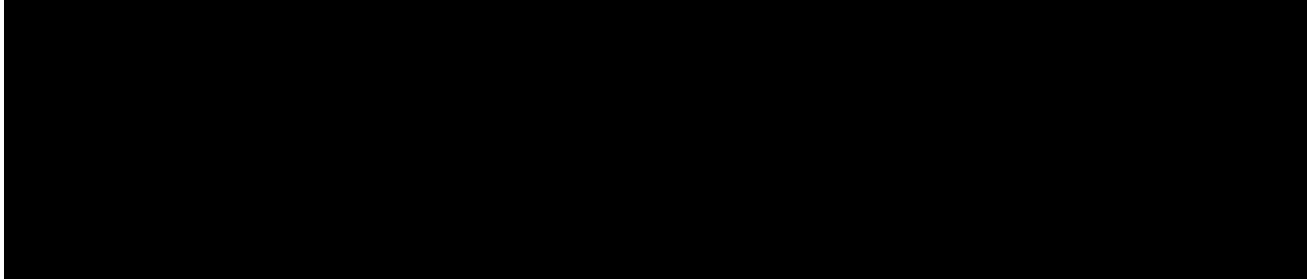
The highlighted values in Exhibit 13.3 denote plans that are new in 2019 and did not have 2018 experience. Therefore, the projected allowed PMPMs for these plans were derived from the Milliman Managed Care Rating Model, which was calibrated to BCBSAL’s Small Group experience.

2018 actual paid to allowed ratios and allowed PMPMs by plan do not include data for capitated benefits, drug rebates, facility retroactive claims, and a small amount of payments that were processed outside of the claims system. These items are accounted for in total.

The 2020 Paid to Allowed Adjustment Factor for each plan is shown in column C of Exhibit 13.4. These values were developed by first calculating the Modeled 2020 Paid to Allowed Ratio for each plan (column A of Exhibit 13.4). A total Modeled 2020 Paid to Allowed Ratio across all plans of [REDACTED] was developed as the weighted average using the product of Projected 2020 Member Months and 2020 Induced Utilization Adjustment Factors as weights.

Then the 2020 Paid to Allowed Adjustment Factors (column C of Exhibit 13.4) were developed by normalizing the Modeled 2020 Paid to Allowed Ratios (column A of Exhibit 13.4) to the 2020 Projected Total Paid to Allowed Ratio by adjusting each value in column A of Exhibit 13.4 such that Column C equals the product of Column A and the quotient 0 [REDACTED]

<b>Exhibit 13.4: 2020 Paid to Allowed Adjustment Factors</b>			
	<b>A</b>	<b>B</b>	<b>C</b>
<b>Plan Name</b>	<b>Modeled 2020 Paid to Allowed Ratio</b>	<b>2020 Projected Total Paid to Allowed Ratio</b>	<b>2020 Paid to Allowed Adjustment Factor</b>





**Section 14: Administrative Costs**

BCBSAL evaluated administrative expenses for all lines of business as well as the Small Group ACA line of business. Administrative expenses were reviewed on a per capita basis and on a 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 2020 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 the Small Group line of business, and
- Ongoing maintenance and future improvements in health plan administration (for the Small Group market), and medical management programs applicable to the Small Group market.

[REDACTED]

[REDACTED]

BCBSAL does not vary non-benefit expense components by plan.

Exhibit 14.1 shows the non-benefit expense components for 2020. Assumptions for 2019 are listed for reference only.

<b>Exhibit 14.1: Components of Total URRT Retention</b>	
<b>Component</b>	<b>Retention Factors</b>
	Administrative Expenses
Contribution to Surplus & Risk Margin	[REDACTED]
Taxes and Fees (from Exhibit 14.2)	[REDACTED]
<b>Total URRT Retention</b>	[REDACTED]

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 2020. The taxes and fees components for 2019 are listed for reference only.

<b>Exhibit 14.2: Components of Taxes and Fees</b>		
<b>Component</b>	<b>Retention Factors</b>	
	<b>2019</b>	<b>2020</b>
State Premium Tax	0.490%	0.490%
Health Insurer Fee		
Risk Adjustment User Fee <sup>a</sup>		
<b>Total Taxes and Fees</b>		

<sup>a</sup> Risk Adjustment User Fee was excluded from Taxes and Fees in 2019, included in 2020

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 0.5% percent of premium. Governmental groups are exempt from State Premium Tax and account for approximately 2% of premium, so the 0.5% is adjusted accordingly.

- 2020 State Premium Tax            0.490% = [0.500% x 98%]

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

- Health Insurer Fee            ██████████

Health Insurer Fee established by Title IX of the Affordable Care Act, and is allocated by each insurer's share of nationwide premium; fee is not tax-deductible. Assumption calculated as estimated portion of total tax for 2020 that is attributable to BCBSAL as a percent of premium, grossed up for federal income tax.

- Risk Adjustment User Fee            ██████████

The HHS Notice of Benefit and Payment Parameters for 2020 established the 2020 risk adjustment user fee at \$2.16 PMPY or \$0.18 PMPM. This converts to approximately ██████████ of BCBSAL's 2020 projected Small Group ACA premium.

## Section 15: Other Plan Level Adjustments

### Provider Network Adjustment Factors



### Benefits in Additions to EHBs Adjustment Factors

The non-EHBs that will be covered in 2020 will be adult vision and bariatric surgery benefits on the Blue Choice Platinum for Business plan along with cone beam coverage on both pediatric dental and medical benefits on all plans. The adjustment factor for the adult vision, bariatric surgery, and cone beam benefits on the Platinum plan was developed using 2018 Platinum plan experience and calculating the PMPM as a percent of total paid, which was [REDACTED]. The adjustment factor for cone beam coverage for all other plans was developed using 2018 Small Group experience and calculating the PMPM as a percent of total paid, which was [REDACTED]. Exhibit 15.1 shows the non-EHB factor by plan.

<b>Plan Name</b>	<b>Non-EHB Factor</b>
[REDACTED]	

### Adjustment for Distribution and Administrative Costs

The adjustment, [REDACTED] includes the administrative costs, taxes, fees, and contributions to surplus listed in Section 14, excluding Exchange User Fees. The adjustment is provided as a percent of premium.

**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 – includes expected utilization differences due to differences in cost sharing labeled below in Exhibit 16.1 as Induced Utilization Adjustment Factor
- Adjustment for benefits in addition to the EHBs
- Adjustment for distribution and administrative costs

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.

<b>Exhibit 16.1: Calculation of Plan Adjusted Index Rates</b>								
	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H = B x C x D x E x F / (1 - G)</b>
<b>Plan Name</b>	<b>Projected Member Months</b>	<b>Market Adjusted Index Rate</b>	<b>Induced Utilization Adjustment Factor</b>	<b>Paid to Allowed Adjustment Factor</b>	<b>Provider Network</b>	<b>Benefits in Addition to EHBs</b>	<b>Admin Costs (% of Premium)</b>	<b>Plan Adjusted Index Rates</b>
Blue Choice Platinum for Business								
Blue Access Gold for Business								
Blue Secure Gold for Business								
Blue Secure Silver for Business								
Blue HSA Silver for Business								
Blue Saver Bronze for Business								

**Section 17: Calibration**

The Plan Adjusted Index Rates were calibrated for age and area factors.

**Age Calibration:**

The plan adjusted index rates were calibrated by a projected average age factor (using the 2020 HHS Default Standard Age Curve) of [REDACTED]. This factor is different from the 2020 projected average age factor because it is adjusted to account for the distribution of members expected to pay no premium due to the cap of three oldest child dependents under age 21. Monthly adjusted average age factors were calculated by applying a factor of zero for the members over the child dependent cap. These 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 difference was applied to the projected average age factors in Exhibit 7.3 of Section 7 to calculate the average age factors adjusted for members expected to pay no premium due to the child dependent cap. This calculation is shown in Exhibit 17.2. The 2020 Projection Period Average Age Calibration Factor of [REDACTED] was derived by calculating a member weighted average of the monthly 2020 adjusted average age factors.

<b>Exhibit 17.1: Historical Adjusted Average Age Factors</b>					
<b>Month</b>	<b>Data Type</b>	<b>Members</b>	<b>Avg. Age Factor</b>	<b>Adjusted Avg. Age Factor</b>	<b>Difference</b>
[REDACTED]					

Exhibit 17.2: Projected Adjusted Average Age Factors					
Month	Data Type	Members	Avg. Age Factor	Adjusted Avg. Age Factor	Difference
[Redacted Data]					

**2020 Projection Period Average Age Calibration Factor =** [Redacted]

**Area Calibration:**

The Plan Adjusted Index Rates were also calibrated for the 2020 Projection Period Average Area Factor of [Redacted]. The details of the development of BCBSAL’s Small Group 2020 Projection Period Average Area Factor of [Redacted] are shown in Exhibit 7.1 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 and the Area Calibration factors. Exhibit 17.3 shows the calculation of the calibrated plan adjusted index rates, which, once multiplied by the quarterly trend factors, equal the 21 year old, rating area 3 (i.e., Birmingham which has an area factor of 1.000) premium rates for the respective issue/renewal quarter. 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.



## Section 18: Consumer Adjusted Premium Rate Development

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

The Index Rate, the Market Adjusted Index Rate, and the Plan Adjusted Index Rate reflect member premium for a plan renewing in the first quarter of 2020. As such, the Calibrated Plan Adjusted Index Rates must be adjusted to reflect the appropriate quarter when the consumer-level modifiers are applied. Exhibit 18.1 shows the trend factors that should be applied to the Calibrated Plan Adjusted Index Rates to calculate the Consumer Adjusted Premium Rates for members renewing in each quarter. The Quarterly Trend Factors are calculated assuming an annualized trend.

Exhibit 18.1: Calculation of Quarterly Index Rate		
Issue/Renewal Quarter	Quarterly Trend Factor	Allowed Cost PMPM
1st Quarter 2020		
2nd Quarter 2020		
3rd Quarter 2020		
4th Quarter 2020		

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

- 40 year-old
- Huntsville MSA
- Blue Choice Platinum for Business Plan
- 1<sup>st</sup> Quarter 2020 renewal

Blue Choice Platinum for Business Calibrated Plan Adjusted Index Rate

x Huntsville MSA factor

x 40 year-old age factor

x Premium Trend Factor

Consumer Adjusted Premium Rate

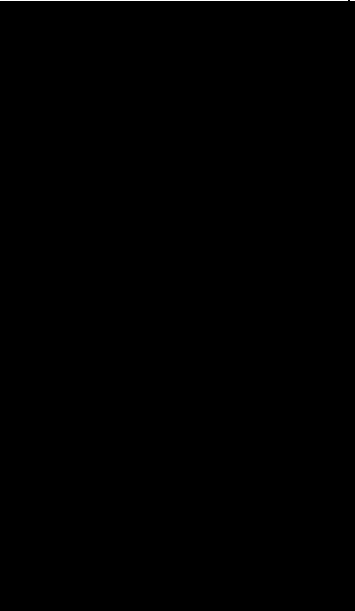




### **Applicable Rating Factors**

#### **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. Small Groups' rating areas are established using the group policyholder's principal business address. Area premium factors are show in Exhibit 18.2.

<b>Exhibit 18.2: Rating Area Premium Factors</b>	
<b>MSA</b>	
Anniston-Oxford, AL	
Auburn-Opelika, AL	
Birmingham-Hoover, AL	
Columbus, GA-AL	
Decatur, AL	
Dothan, AL	
Florence-Muscle Shoals, AL	
Gadsden, AL	
Huntsville, AL	
Mobile, AL	
Montgomery, AL	
Tuscaloosa, AL	
Non-MSA Area, AL	

**Age Premium Factors:**

BCBSAL is using the age rating curve established in the State of Alabama Department of Insurance Bulletin No. 2019-03 "Age Curve for the Individual and Small Group Health Insurance Market" for the 2020 plan year, which is equivalent to the 2018 HHS Default Standard Age Curve. Exhibit 18.3 shows the 2020 age rating factors.

<b>Exhibit 18.3: Age Premium Factors</b>				
<b>Age</b>	<b>2020</b>		<b>Age</b>	<b>2020</b>
0-14	0.765		40	1.278
15	0.833		41	1.302
16	0.859		42	1.325
17	0.885		43	1.357
18	0.913		44	1.397
19	0.941		45	1.444
20	0.970		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			

BCBSAL will not use a Tobacco Use Premium Factor.

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.

COBRA Adjustment: As allowed by the Consolidated Omnibus Budget Reconciliation Act (COBRA), Small Group COBRA rates may be loaded by 2% for administrative costs, and by 50% for disability extension if elected.

### **Composite Rating in the Small Group Market**

In regards to composite rating in the Small Group Market, BCBSAL intends to offer premiums in compliance with 45 CFR 147.102(c)(3) and related guidance issued by the Alabama Department of Insurance (ALDOI). Currently ALDOI Bulletin No. 2014-03 allows for the use of Family Composite Premiums as defined by the following four tiers: Employee, Employee + Spouse, Employee + Children, and Employee + Family.

**Section 19: Projected Loss Ratio**

The projected ACA loss ratio for BCBSAL’s 2020 Small Group Market 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 2020 Small Group Plans, and the MLR Result.

<b>Exhibit 19.1: MLR Variables, Definitions, Values, and MLR Result</b>		
<b>Variable</b>	<b>Definition</b>	<b>Estimated Value</b>
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	
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	
<b>MLR Result<sup>1</sup></b>		



### 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 were generated by an acceptable alternative methodology is provided below in Exhibit 20.1.

<b>Exhibit 20.1: Small Group Market – AV Metal Values</b>				
<b>Plan Name</b>	<b>Metal Level</b>	<b>AV Metal Value</b>	<b>Entirely Based On AV Calculator<sup>1</sup></b>	<b>AV Calculator Screenshot</b>

<sup>1</sup> Required details of the alternative methodology used are described in BCBSAL’s filed document titled, “Blue Cross and Blue Shield of Alabama, 2020 Actuarial Certification of Actuarial Values, Small Group and Individual Markets”

## Section 21: Membership Projections

Exhibit 21.1: 2020 Member Month Projections	
Plan	Total
[Redacted]	

BCBSAL projected 2020 Small Group enrollment (as shown in Exhibit 21.1) was developed by applying projected monthly changes to actual May 2019 enrollment. These projected monthly changes were developed by analyzing historical data and assumptions based on projected quarterly rate changes. [Redacted]

## Section 22: Terminated Plans and Products

Plans listed in Exhibit 22.1 will no longer be offered in 2019 or 2020 and will terminate upon renewal during the calendar year 2019 for groups currently enrolled in these plans. Experience for these plans is included in the Single Risk Pool during the experience period.

<b>Exhibit 22.1: Small Group Market</b>	
<b>Plan Name</b>	<b>Mapping Effective Upon 2019 Renewal</b>
Blue HSA Bronze for Business	Blue HSA Silver for Business
Blue HSA Gold for Business	Blue HSA Silver for Business

## **Section 23: Plan Type**

All health plans fit the definition of Preferred Provider Organization (“PPO”).

Healthcare.gov defines PPO as, “A type of health plan that contracts with medical providers, such as hospitals and doctors, to create a network of participating providers. You pay less if you use providers that belong to the plan’s network. You can use doctors, hospitals, and providers outside of the network for an additional cost.”



## 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.
- Internal Revenue Service's document, Annual Fee on Health Insurance Providers for 2018 with a date of 8/29/2018, was used as a data point for market share to develop the 2020 and 2021 Health Insurer Fee loads.
- CMS Risk Adjustment transfer reports for 2014 - 2018 were used to help develop risk adjustment transfer assumptions in the projection period.
- State of Alabama Bulletins No. 2013-04, 2014-03, and 2019-03, regarding geographic rating areas, composite premiums, and age curve rating factors respectively.
- HHS Notices of Benefit and Payment Parameters for 2018 and 2020.

## Section 25: Actuarial Certification

We, Noel Carden and Cameron Daniel, are both members of the American Academy of Actuaries and are qualified to provide this Actuarial Certification. Noel Carden is Vice President and Chief Actuary for Blue Cross and Blue Shield of Alabama and Cameron Daniel is an Actuarial Services Manager for Blue Cross and Blue Shield of Alabama. We certify 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,
- (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 2019 with the corresponding QHP form filing and required by 45 CFR §156.135 provides the necessary documentation and signature.

The federal requirements regarding rating for age and family composition differ from the requirements set forth in Alabama Regulation No. 482-1-116. However, with the exception of such changes prescribed by federal regulation, the rates have been developed in accordance with the rating provisions of Alabama Regulation No. 482-1-116-.05 and the guidance provided in the State of Alabama Bulletins 2014-03 and 2019-03.

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

All analyses were either completed by us, or were performed under our direction and review.

Signed,



Noel Carden, FSA, MAAA  
Vice President and Chief Actuary  
Blue Cross and Blue Shield of Alabama



Cameron Daniel, FSA, MAAA  
Manager Actuarial Services  
Blue Cross and Blue Shield of Alabama

# Appendix



**SUPPLEMENT FOR THE YEAR 2018 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 [http://www.naic.org/documents/committees\\_e\\_app\\_blanks\\_related\\_shce\\_cautionary\\_statement.pdf](http://www.naic.org/documents/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

2018

NAIC Company Code

55433

1.	Premium:	Comprehensive Health Coverage			Mini-Med Plans			Expatriate Plans		9	10	11	12	13	14	15
		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							
1.1	Health premiums earned (From Part 2, Line 1.11)	1,450,483,282	1,079,197,785	2,436,418,424	.0	.0	.0	.0	.0	.0	.0	386,483,993	709,177,375	6,061,760,859	XXX	6,061,760,859
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)	1,450,483,282	1,079,197,785	2,436,418,424	.0	.0	.0	.0	.0	.0	.0	386,483,993	709,177,375	6,061,760,859	XXX	6,061,760,859
1.5	Federal taxes and federal assessments	123,484,050	43,202,476	60,218,052								5,120,500	18,717,429	250,742,507	(3,183,925)	247,558,582
1.6	State insurance, premium and other taxes (Similar local taxes of \$ .....)	22,739,471	5,599,219	25,231,614								4,385,177	360,349	58,315,830	2,766,937	61,082,767
	1.6a Community Benefit Expenditures (informational only)													.0		.0
1.7	Regulatory authority licenses and fees	24,827	19,775	32,915								68,760	19,041	165,318	146,937	312,255
1.8	Adjusted premiums earned (Lines 1.4 – 1.5 – 1.6 – 1.7)	1,304,234,934	1,030,376,315	2,350,935,843	.0	.0	.0	.0	.0	.0	.0	376,909,556	690,080,556	5,752,537,204	XXX	5,752,807,255
1.9	Net assumed less ceded reinsurance premiums earned	(575,882)	(606,511)	(1,052,207)	.0	.0	.0	.0	.0	.0	.0	(8,372,127)	.0	(10,606,727)	XXX	(10,606,727)
1.10	Other adjustments due to MLR calculations – Premiums	(4,357,103)	(15,007,800)	(13,174,594)								(1,610,412)	764,345	(33,385,564)	XXX	(33,385,564)
1.11	Risk revenue													.0	XXX	.0
1.12	Net adjusted premiums earned after reinsurance (Lines 1.8 + 1.9 + 1.10 + 1.11)	1,299,301,949	1,014,762,004	2,336,709,042	0	0	0	0	0	0	0	366,927,017	690,844,901	5,708,544,913	XXX	5,708,814,964
2.	Claims:															
2.1	Incurred claims excluding prescription drugs	775,637,603	664,335,488	1,606,178,223								323,719,079	515,807,936	3,885,678,329	XXX	3,885,678,329
2.2	Prescription drugs	357,827,055	285,870,199	643,767,099								1,557,237	139,357,548	1,428,379,138	XXX	1,428,379,138
2.3	Pharmaceutical rebates	64,790,536	61,458,178	76,960,833								1,559,015	44,526,220	249,294,782	XXX	249,294,782
2.4	State stop loss, market stabilization and claim/census based assessments (informational only)	0	0	0	0	0	0	0	0	0	0	0	1,463,259	1,463,259	XXX	1,463,259
3.	Incurred medical incentive pools and bonuses	0	0	0	0	0	0	0	0	0	0	0	0	0	XXX	0
4.	Deductible Fraud and Abuse Detection/Recovery Expenses (for MLR use only)	139,675	137,550	263,681								2,047	52,352	595,305	1,029,438	1,624,743
5.0	Total incurred claims (Lines 2.1 + 2.2 – 2.3 + 3) (From Part 2, Line 2.15)	1,069,695,766	894,855,463	2,205,605,154	0	0	0	0	0	0	0	323,717,301	612,102,523	5,066,225,944	XXX	5,066,225,944
5.1	Net assumed less ceded reinsurance claims incurred	(752,113)	.0	(939,000)	.0	.0	.0	.0	.0	.0	.0	(13,199,432)	.0	(14,890,545)	XXX	(14,890,545)
5.2	Other adjustments due to MLR calculations – Claims	1,773,757	6,107,954	33,559,665								(2,982,000)	764,345	39,223,721	XXX	39,223,721
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	.0	XXX	XXX	.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)	1,069,695,766	894,855,463	2,205,605,154	0	0	0	0	0	0	0	307,535,869	612,866,868	5,090,559,120	XXX	5,090,559,120
6.	Improving Health Care Quality Expenses Incurred:															
6.1	Improve Health Outcomes	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0			.0		.0
6.2	Activities to prevent hospital readmissions	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0			.0		.0
6.3	Improve patient safety and reduce medical errors	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0			.0		.0
6.4	Wellness and health promotion activities	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0			.0		.0
6.5	Health Information Technology expenses related to health improvement	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0			.0		.0
6.6	Total of Defined Expenses Incurred for Improving Health Care Quality (Lines 6.1 + 6.2 + 6.3 + 6.4 + 6.5)	11,603,866	8,633,582	19,491,347	0	0	0	0	0	0	0	3,091,872	5,673,419	48,494,086	55,193,736	103,687,823
7.	Preliminary Medical Loss Ratio: MLR (Lines 4 + 5.0 + 6.6 – Footnote 2.0) / Line 1.8	0.828	0.871	0.933	0.000	0.000	0.000	0.000	0.000	0.000	0.000	XXX	XXX	0.895	XXX	XXX
8.	Claims Adjustment Expenses:															
8.1	Cost containment expenses not included in quality of care expenses in Line 6.6	8,293,393	15,242,114	34,003,894								3,572,360	9,133,825	70,245,586	91,616,257	161,861,843
8.2	All other claims adjustment expenses	8,542,901	9,265,085	19,428,519								14,620,058	17,588,841	69,445,404	87,535,817	156,981,221
8.3	Total claims adjustment expenses (Lines 8.1 + 8.2)	16,836,294	24,507,199	53,432,413	0	0	0	0	0	0	0	18,192,418	26,722,666	139,690,990	179,152,074	318,843,064
9.	Claims Adjustment Expense Ratio (Line 8.3 / Line 1.8)	0.013	0.024	0.023	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.048	0.039	XXX	XXX	XXX

216-1AL

**SUPPLEMENT FOR THE YEAR 2018 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 [http://www.naic.org/documents/committees\\_e\\_app\\_blanks\\_related\\_shce\\_cautionary\\_statement.pdf](http://www.naic.org/documents/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 2018

NAIC Company Code 55433

	Business Subject to MLR									9 Student Health Plans	10 Government Business (excluded by statute)	11 Other Health Business	12 Medicare Advantage Part C and Medicare Part D Stand-Alone Subject to ACA	13 Subtotal (Cols 1 thru 12)	14 Uninsured Plans	15 Total (13 + 14)
	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								
10. General and Administrative (G&A) Expenses:																
10.1 Direct sales salaries and benefits.....	1,603,761	2,469,760	5,382,071									2,457,570	1,294,741	13,207,903	10,578,253	23,786,156
10.2 Agents and brokers fees and commissions.....	532,358											1,513,387	1,019,125	3,064,870		3,064,870
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.....	32,234,373	33,588,153	61,333,493									28,829,161	34,335,414	190,320,594	208,425,121	398,745,715
10.4a Community Benefit Expenditures (informational only).....														0		0
10.5 Total general and administrative (Lines 10.1 + 10.2 + 10.3 + 10.4)	34,370,492	36,037,913	66,715,564	0	0	0	0	0	0	0	0	32,800,118	36,649,280	206,593,367	219,003,374	425,596,741
11. Underwriting Gain/(Loss) (Lines 1.12 – 5.7 – 6.6 – 8.3 – 10.5)	166,795,531	50,707,847	(8,535,436)	0	0	0	0	0	0	0	0	5,306,740	8,932,668	223,207,350	XXX	(229,871,784)
12. Income from Fees of Uninsured Plans	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	407,148,695	407,148,695
13. Net Investment and Other Gain/(Loss)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	86,240,355	XXX	86,240,355
14. Federal Income Taxes (excluding taxes on Line 1.5 above)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	(92,296,608)	XXX	(92,296,608)
15. Net Gain or (Loss) (Lines 11 + 12 + 13 – 14)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	401,744,313	XXX	355,813,874
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
<b>OTHER INDICATORS:</b>																
1. Number of Certificates/Policies	126,642	114,512	263,131									406,249	103,007	1,013,541	885,610	1,899,151
2. Number of Covered Lives	179,500	209,062	505,843									626,749	103,007	1,624,161	1,712,796	3,336,957
3. Number of Groups	XXX	17,621	1,854	XXX										19,475	457	19,932
4. Member Months	2,310,445	2,517,532	5,939,786									7,583,266	1,223,700	19,574,729	20,703,566	40,278,295

Is run-off business reported in Columns 1 through 9 or 12? Yes [ ] No [ X ]

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

216-1.AL

AFFORDABLE CARE ACT (ACA) RECEIPTS, PAYMENTS, RECEIVABLES and PAYABLES				
	Current Year		Prior Year	
	Comprehensive Health Coverage		Comprehensive Health Coverage	
	1 Individual Plans	2 Small Group Employer Plans	3 Individual Plans	4 Small Group Employer Plans
<b>ACA Receivables and Payables</b>				
1. Permanent ACA Risk Adjustment Program				
1.0 Premium adjustments receivable/(payable)	1,200,000	1,700,000	0	1,900,000
2. Transitional ACA Reinsurance Program				
2.0 Total amounts recoverable for claims (paid & unpaid)	273,166	XXX	8,113,050	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
<b>ACA Receipts and Payments</b>				
4. Permanent ACA Risk Adjustment Program				
4.0 Premium adjustments receipts/(payments)	(171,794)	1,662,986	24,939,399	2,304,457
5. Transitional ACA Reinsurance Program				
5.0 Amounts received for claims	7,879,997	XXX	51,080,943	XXX
6. Temporary ACA Risk Corridors Program				
6.1 Retrospective premium received.....	3,101		3,524	0
6.2 Rate credits or policy experience refunds paid			0	0



**SUPPLEMENT FOR THE YEAR 2018 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 2018

NAIC Company Code 55433

		Business Subject to MLR									9	10	11	12	13				
		Comprehensive Health Coverage			Mini-Med Plans			Expatriate Plans		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	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										
1.	Health Premiums Earned:																		
1.1	Direct premiums written.....	1,450,767,528	1,072,444,832	2,431,964,986	0	0	0	0	0	0	0	386,158,343	709,080,533	6,050,416,222					
1.2	Unearned premium prior year.....	(897,611)	7,952,482	4,293,560	0	0	0	0	0	0	0	546,024	63,991	11,958,446					
1.3	Unearned premium current year.....	(613,365)	1,199,529	(159,878)	0	0	0	0	0	0	0	220,374	(32,851)	613,809					
1.4	Change in unearned premium (Lines 1.2 – 1.3).....	(284,246)	6,752,953	4,453,438	0	0	0	0	0	0	0	325,650	96,842	11,344,637					
1.5	Paid rate credits.....	(3,101)	0	0	0	0	0	0	0	0	0	0	0	(3,101)					
1.6	Reserve for rate credits current year.....	0	0	36,813,690	0	0	0	0	0	0	0	2,310,272	0	39,123,962					
1.7	Reserve for rate credits prior year.....	0	0	46,123,843	0	0	0	0	0	0	0	2,614,019	0	48,737,862					
1.8	Change in reserve for rate credits (Lines 1.6 – 1.7).....	0	0	(9,310,153)	0	0	0	0	0	0	0	(303,747)	0	(9,613,900)					
1.9	Premium balances written off.....	0	0	0	0	0	0	0	0	0	0	0	0	0					
1.10	Group conversion charge.....	0	0	0	0	0	0	0	0	0	0	0	0	0					
1.11	Total direct premiums earned (Lines 1.1 + 1.4 - 1.9 + 1.10).....	1,450,483,282	1,079,197,785	2,436,418,424	0	0	0	0	0	0	0	386,483,993	709,177,375	6,061,760,859					
1.12	Assumed premiums earned from non-affiliates.....	0	0	0	0	0	0	0	0	0	0	0	0	0					
1.13	Net assumed less ceded premiums earned from affiliates.....	0	0	0	0	0	0	0	0	0	0	(8,372,127)	0	(8,372,127)					
1.14	Ceded premiums earned to non-affiliates.....	575,882	606,511	1,052,207	0	0	0	0	0	0	0	0	0	2,234,600					
1.15	Other adjustments due to MLR calculation – Premiums.....	(4,357,103)	(15,007,800)	(13,174,594)	0	0	0	0	0	0	0	(1,610,412)	764,345	(33,385,564)					
1.16	Net premiums earned (Lines 1.11 - 1.5 - 1.8 + 1.12 + 1.13 - 1.14 + 1.15).....	1,445,553,398	1,063,583,474	2,431,501,776	0	0	0	0	0	0	0	376,805,201	709,941,720	6,027,385,569					
2.	Direct Claims Incurred:																		
2.1	Paid claims during the year.....	1,080,350,636	890,207,221	2,183,426,861	0	0	0	0	0	0	0	310,323,121	619,852,904	5,084,160,743					
2.2	Direct claim liability current year.....	77,393,187	69,843,737	223,890,940	0	0	0	0	0	0	0	30,763,796	55,867,988	457,759,648					
2.3	Direct claim liability prior year.....	80,524,346	62,509,369	192,577,295	0	0	0	0	0	0	0	31,803,034	54,939,103	422,353,147					
2.4	Direct claim reserves current year.....	0	0	0	0	0	0	0	0	0	0	6,727,518	0	6,727,518					
2.5	Direct claim reserves prior year.....	0	0	0	0	0	0	0	0	0	0	4,639,033	0	4,639,033					
2.6	Direct contract reserves current year.....	0	0	274,351,932	0	0	0	0	0	0	0	206,415,047	1,645,259	482,412,238					
2.7	Direct contract reserves prior year.....	0	0	294,292,001	0	0	0	0	0	0	0	193,898,934	2,409,604	490,600,539					
2.8	Paid rate credits.....	(3,101)	0	0	0	0	0	0	0	0	0	0	0	(3,101)					
2.9	Reserve for rate credits current year.....	0	0	36,813,690	0	0	0	0	0	0	0	2,310,272	0	39,123,962					
2.10	Reserve for rate credits prior year.....	0	0	46,123,843	0	0	0	0	0	0	0	2,614,020	0	48,737,863					
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	1,463,259	1,463,259					
2.11a	Paid medical incentive pools and bonuses current year.....	0	0	0	0	0	0	0	0	0	0	0	1,463,259	1,463,259					
2.11b	Accrued medical incentive pools and bonuses current year.....	0	0	0	0	0	0	0	0	0	0	0	0	0					
2.11c	Accrued medical incentive pools and bonuses prior year.....	0	0	0	0	0	0	0	0	0	0	0	0	0					
2.12	Net healthcare receivables (Lines 2.12a – 2.12b).....	8,542,254	8,794,080	12,505,795	0	0	0	0	0	0	0	(132,568)	9,378,180	39,087,741					
2.12a	Healthcare receivables current year.....	35,924,597	27,395,525	44,414,480	0	0	0	0	0	0	0	635,215	33,788,667	142,158,484					
2.12b	Healthcare receivables prior year.....	27,382,343	18,601,445	31,908,685	0	0	0	0	0	0	0	767,783	24,410,487	103,070,743					
2.13	Group conversion charge.....	0	0	0	0	0	0	0	0	0	0	0	0	0					
2.14	Multi-option coverage blended rate adjustment.....	0	0	0	0	0	0	0	0	0	0	0	0	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).....	1,068,674,122	888,747,509	2,172,984,489	0	0	0	0	0	0	0	323,717,301	612,102,523	5,066,225,944					
2.16	Assumed incurred claims from non-affiliates.....	0	0	0	0	0	0	0	0	0	0	0	0	0					
2.17	Net assumed less ceded incurred claims from affiliates.....	0	0	0	0	0	0	0	0	0	0	(13,199,432)	0	(13,199,432)					
2.18	Ceded incurred claims to non-affiliates.....	752,113	939,000	0	0	0	0	0	0	0	0	0	0	1,691,113					
2.19	Other adjustments due to MLR calculation – Claims.....	1,773,757	6,107,954	33,559,665	0	0	0	0	0	0	0	(2,982,000)	764,345	39,223,721					
2.20	Net Incurred Claims (Lines 2.15 - 2.8 - 2.9 + 2.10 + 2.16 + 2.17 - 2.18 + 2.19).....	1,069,698,867	894,855,463	2,214,915,307	0	0	0	0	0	0	0	307,839,617	612,866,868	5,100,176,122					
3.	Fraud and Abuse Recoveries that Reduced PAID Claims in Line 2.1 above (informational only).....	261,871	289,969	495,964	0	0	0	0	0	0	0	2,047	52,352	1,102,203					

(a) Column 13, Line 1.1 includes direct written premium of \$ 146,413,210 for stand-alone dental and \$ 0 for stand-alone vision policies.

216-2.AL



**SUPPLEMENT FOR THE YEAR 2018 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 2018			NAIC Company Code 55433				
All Expenses		Improving Health Care Quality Expenses					Claims Adjustment Expenses		9	10	
		1	2	3	4	5	6	7	8		
		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)
1.	Individual Comprehensive Coverage Expenses:										
1.1	Salaries (including \$ for affiliated services)						0	4,243,562	6,846,913	22,396,223	33,486,698
1.2	Outsourced services						0	648,603	314,451		963,054
1.3	EDP equipment and software (incl \$ for affiliated services)						0	50,934	34,755	528,170	613,859
1.4	Other equipment (excl. EDP) (incl \$ for affiliated services)						0	27,573	214,559	1,349,857	1,591,989
1.5	Accreditation and certification (incl \$ for affiliated services)		XXX	XXX	XXX	XXX	0				0
1.6	Other expenses (incl \$ for affiliated services)						0	3,322,721	1,132,223	10,096,242	14,551,186
1.7	Subtotal before reimbursements and taxes (1.1 to 1.6)	0	0	0	0	0	11,603,866	8,293,393	8,542,901	34,370,492	62,810,652
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)	0	0	0	0	0	11,603,866	8,293,393	8,542,901	34,370,492	62,810,652
1.11	Total Fraud and abuse detection/recovery expenses included in Column 7 (informational only)						0		139,675		139,675
2.	Small Group Comprehensive Coverage Expenses:										
2.1	Salaries (including \$ for affiliated services)						0	4,268,203	6,593,168	21,704,846	32,566,217
2.2	Outsourced Services						0	745,945	278,010		1,023,955
2.3	EDP equipment and software (incl \$ for affiliated services)						0	34,855	48,109	607,931	690,895
2.4	Other equipment (excl. EDP) (incl \$ for affiliated services)						0	27,865	124,943	1,715,783	1,868,591
2.5	Accreditation and certification (incl \$ for affiliated services)		XXX	XXX	XXX	XXX	0				0
2.6	Other expenses (incl \$ for affiliated services)						0	10,165,246	2,220,855	12,029,352	24,415,453
2.7	Subtotal before reimbursements and taxes (2.1 to 2.6)	0	0	0	0	0	8,633,582	15,242,114	9,265,085	36,057,912	69,198,693
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)	0	0	0	0	0	8,633,582	15,242,114	9,265,085	36,057,912	69,198,693
2.11	Total fraud and abuse detection/recovery expenses included in Column 7 (informational only)						0		137,550		137,550
3.	Large Group Comprehensive Coverage Expenses:										
3.1	Salaries (including \$ for affiliated services)						0	7,864,977	14,537,004	42,539,892	64,941,873
3.2	Outsourced services						0	1,186,624	816,334		2,002,958
3.3	EDP equipment and software (incl \$ for affiliated services)						0	85,631	76,980	1,063,248	1,225,859
3.4	Other equipment (excl. EDP) (incl \$ for affiliated services)						0	48,266	212,778	3,310,041	3,571,085
3.5	Accreditation and certification (incl \$ for affiliated services)		XXX	XXX	XXX	XXX	0				0
3.6	Other expenses (incl \$ for affiliated services)						0	24,818,396	3,785,423	19,802,384	48,406,203
3.7	Subtotal before reimbursements and taxes (3.1 to 3.6)	0	0	0	0	0	19,491,347	34,003,894	19,428,519	66,715,565	139,639,325
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)	0	0	0	0	0	19,491,347	34,003,894	19,428,519	66,715,565	139,639,325
3.11	Total fraud and abuse detection/recovery expenses included in Column 7 (informational only)						0		263,681		263,681

216-3.AL

SUPPLEMENT FOR THE YEAR 2018 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 2018			NAIC Company Code 55433		9	10	
All Expenses		Improving Health Care Quality Expenses						Claims Adjustment Expenses		General Administrative Expenses	Total Expenses (6 to 9)
		1	2	3	4	5	6	7	8		
		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		
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
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
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
6.11	Total fraud and abuse detection/recovery expenses included in Column 7 (informational only)						0				0

216-3.AL



SUPPLEMENT FOR THE YEAR 2018 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 2018			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)
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).....						0				0
9.2	Outsourced services.....						0				0
9.3	EDP equipment and software (incl \$ ..... for affiliated services).....						0				0
9.4	Other equipment (excl. EDP) (incl \$ ..... for affiliated services).....						0				0
9.5	Accreditation and certification (incl \$ ..... for affiliated services).....		XXX	XXX	XXX	XXX	0				0
9.6	Other expenses (incl \$ ..... for affiliated services).....						0				0
9.7	Subtotal before reimbursements and taxes (9.1 to 9.6).....	0	0	0	0	0	0	0	0	0	0
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).....	0	0	0	0	0	0	0	0	0	0
9.11	Total fraud and abuse detection/recovery expenses included in Column 7 (informational only)						0				0

216-3.AL















ROBERT BENTLEY  
GOVERNOR

JIM L. RIDLING  
COMMISSIONER

STATE OF ALABAMA  
DEPARTMENT OF INSURANCE  
201 MONROE STREET, SUITE 502  
POST OFFICE BOX 303351  
MONTGOMERY, ALABAMA 36130-3351

TELEPHONE: (334) 269-3550  
FACSIMILE: (334) 241-4192  
INTERNET: [www.aldoi.gov](http://www.aldoi.gov)

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 *JLR*  
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	



ROBERT BENTLEY  
GOVERNOR


JIM L. RIDLING  
COMMISSIONER

STATE OF ALABAMA  
DEPARTMENT OF INSURANCE  
201 MONROE STREET, SUITE 502  
POST OFFICE BOX 303351  
MONTGOMERY, ALABAMA 36130-3351  
TELEPHONE: (334) 269-3550  
FACSIMILE: (334) 241-4192  
INTERNET: www.aldoi.gov

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

**BULLETIN NO. 2014-03**

**TO:** Insurers Writing Small Group Health Insurance in Alabama

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

**DATE:** July 28, 2014

**RE:** Modification to Alabama Bulletin 2014-01  
Alabama Small Employer Allocation Program

**EFFECTIVE:** Immediate

**RELATED:** Bulletin 2014-01 (April 17, 2014)

---

This Bulletin supersedes Department of Insurance Bulletin 2014-01 (April 15, 2014) relating to Regulation 482-1-116 for policy years beginning on or after January 1, 2015. As noted in that Bulletin, beginning in 2014 certain rating rules have been implemented by the United States Department of Health and Human Services. This Bulletin repeats the guidance provided in Bulletin 2014-01 for Age Brackets, and provides additional guidance for Family Composite Premiums for policy years beginning on and after January 1, 2015. **Guidance provided by Bulletin 2014-01 relative to Family Composite Premiums is effective only for policy years beginning in 2014.**

**Age Brackets**

Ala. Code § 27-52-21 (a) states the Commissioner of Insurance shall establish conditions consistent with federal regulation and patterned after NAIC models to implement the Alabama Small Allocation Program. Regulation 482-1-116-.05 (a) (2) adopts language from an earlier NAIC model that says age brackets smaller than five-year increments may not be used. This five-year age bracket limitation is being waived for those carriers that wish to use single age brackets as required by federal rules.

## Family Composite Premiums

Regulation 482-1-116 allows for the use of family composite premiums in the small group market. The use of family composite premiums has been well established in the market place. The use of family composite premiums reduces administrative burdens for both carriers and small group employers and further it reduces premium instability for employers and employees.

A carrier may choose not to provide family composite premiums, instead using the filed member level rates, summing the premiums for all members in a small group. If a carrier does offer this family composite approach in a market, it must make it available for each small employer in the market. The only method available to a carrier that uses a family composite premium approach is the method described below. The authorization of only one method is a revision to the approach described in Bulletin 2014-1 and is effective for policy years beginning on or after January 1, 2015.

The following paragraphs outline the required methodology for developing aggregate small group premiums and allocating these premiums to covered employees and their dependent(s).

### **A) Development of Aggregate Small Group Premiums**

For each covered employee and his/her covered dependent(s), the premium must be determined as follows:

- For each covered adult age 21 or older: Calculate the rate for each person by multiplying the base rate by the applicable age and geographic area factors. A tobacco use factor must not be applied at this time.
- For each covered child age 0 to 20: Calculate the rate for each of the oldest three children by multiplying the base rate by the applicable age and geographic area factors. A tobacco use factor must not be applied at this time.

Age and geographic area are determined at the time that coverage is issued to the group. The small group's aggregate premium prior to any tobacco use factors is equal to the sum of the premiums determined for each covered employee and his/her covered dependent(s).

### **B) Allocation of Premium to Small Group Members**

Once the small group's aggregate premium has been calculated, it must be allocated back to covered employees based on the tier factor applicable to each employee's family composition (e.g., employee only, employee + spouse, employee + children, and employee + family). Alabama will require standard tier definitions and

factors for all carriers using a composite premium approach. The standard tier definitions and factors are as follows:

- Employee only = 1.00
- Employee + spouse = 2.00
- Employee + children (including all covered children up to age 26) = 1.85
- Employee + family (including spouse and all covered children up to age 26) = 2.85

Note that all children under age 26 are considered to meet the definition of “children” for employee + family and employee + children tiers.

The formula to determine the final premium for each employee is as follows:

### **C) Final employee premium**

Final employee premium = [Group aggregate premium] / [Weighted employee count] x [Employee’s tier factor]

For example, consider the following group of employees:

- Employee A: Employee + spouse + 2 children = Employee + family
- Employee B: Employee + spouse
- Employee C: Employee + spouse + 3 children = Employee + family
- Employee D: Employee + 4 children = Employee + children
- Employee E: Employee only

Using the applicable tier factors and family composition of each employee, the tier-factor weighted employee count is calculated as follows:

- Employee A: Employee + family = 2.85
  - Employee B: Employee + spouse = 2.00
  - Employee C: Employee + family = 2.85
  - Employee D: Employee + children = 1.85
  - Employee E: Employee only = 1.00
- Weighted employee count =  $2 \times 2.85 + 1 \times 2.00 + 1 \times 1.85 + 1.00 = 10.55$

To calculate the final monthly premium for each employee, the aggregate small group premium is divided by the weighted employee count and multiplied by each employee’s applicable tier factor. Continuing with the example above, and assuming the total monthly premium for the group is \$5,275, each employee’s monthly premium is calculated as follows:

- Employee A: \$5,275 / 10.55 x 2.85	= \$1,425
- Employee B: \$5,275 / 10.55 x 2.00	= \$1,000
- Employee C: \$5,275 / 10.55 x 2.85	= \$1,425
- Employee D: \$5,275 / 10.55 x 1.85	= \$925
- Employee E: \$5,275 / 10.55 x 1.00	= \$500
Group total	= \$5,275

#### **D) Recalculation of Average Monthly Premiums**

Throughout a small group's policy period, employees may come and go and employees may qualify for special enrollment periods due to various life events. The methodology described above determines an employee's monthly premium based on the tier premiums at the time the group's policy is issued. The monthly premium for each of the tiers must remain in effect throughout the entire policy period and may not increase or decrease to reflect changes in the small group's census. The monthly tier premiums must be recalculated annually, with the tier premiums at the time the policy is renewed remaining constant for that policy year.

#### **E) Application of Tobacco Use Factors**

The family composite premiums do not include a tobacco use factor. If a tobacco use factor is used, it must be applied to the specific individual, and is applied to the premium that individual contributed to the aggregate premium, (as calculated in section A). This additional premium is then added to the monthly premium for that individual based upon the tier allocation.

For example, assume the spouse of employee C had premium of \$600 contributing to the aggregate \$5,275, is a tobacco user, and the carrier has a tobacco use factor of 50%. The total premium for employee C and family would be \$1,425 plus \$300, (\$600 \* 50%), for a total of \$1,725. Application of any tobacco use factor is subject to all requirements of federal regulation.

#### **Questions concerning this bulletin may be directed to:**

Steven Ostlund      334-240-4424      [steven.ostlund@insurance.alabama.gov](mailto:steven.ostlund@insurance.alabama.gov)

JLR/JFM/bc



KAY IVEY  
GOVERNOR


JIM L. RIDLING  
COMMISSIONER

STATE OF ALABAMA  
DEPARTMENT OF INSURANCE  
201 MONROE STREET, SUITE 502  
POST OFFICE BOX 303351  
MONTGOMERY, ALABAMA 36130-3351  
TELEPHONE: (334) 269-3550  
FACSIMILE: (334) 241-4192  
INTERNET: [www.aldoi.gov](http://www.aldoi.gov)

DEPUTY COMMISSIONERS  
JERRY WORKMAN  
MARK FOWLER  
CHIEF EXAMINER  
RICHARD L. FORD  
STATE FIRE MARSHAL  
SCOTT F. PILGREEN  
GENERAL COUNSEL  
REYN NORMAN

**BULLETIN NO. 2019-03**

TO: All Insurers Writing Health Insurance in Alabama

FROM: Jim L. Ridling  
Commissioner of Insurance 

DATE: May 13, 2019

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 the 2020 plan year, 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](mailto:steven.ostlund@insurance.alabama.gov) or (334) 240-4424.

JLR/WR/bc

Attachment

**Table 1**

<b>2020 Age Curve for Individual Market</b>			
<b>Age</b>	<b>Ratio</b>	<b>Age</b>	<b>Ratio</b>
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**

<b>2020 Age Curve for Small Group Market</b>			
<b>Age</b>	<b>Ratio</b>	<b>Age</b>	<b>Ratio</b>
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		