

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

Part III Actuarial Memorandum and Certification

Small Group Market
Effective January 1, 2021

July 22, 2020

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Blue Cross and Blue Shield of Alabama
Part III Actuarial Memorandum and Certification
Small Group Market
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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 "2021 Unified Rate Review Instructions, Rate Filing Justification: Parts I, II, and III." This document provides information related to "Part I: Unified Rate Review Template" ("URRT") for Blue Cross and Blue Shield of Alabama's ("BCBSAL") non-grandfathered, Small Group Market health plans. These submitted rates are effective for new issues and renewals occurring during 2021.

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.

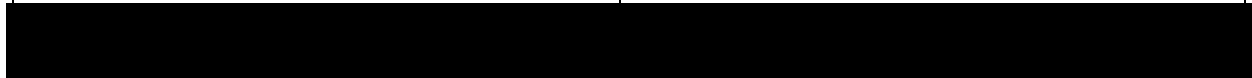
This memorandum generally follows the format outlined in the aforementioned HHS instructions.

General Information

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

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 Small Group
Effective Date:	January 1, 2021

Exhibit 1.2: Primary Company Contact Information	
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.

Exhibit 1.3: Small Group Market			
Market	Product ID	Plan ID	Plan Name
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 2021 all six of the plans available in 2020. Exhibit 2.1 shows the proposed average rate change by renewal quarter.

Renewal Quarter	Average Rate Change
Q1 2021	2.7%
Q2 2021	2.7%
Q3 2021	2.7%
Q4 2021	2.7%
Average Rate Change	2.7%

The average rate change proposed is 2.7%. The quarterly rate factor applied for 2021 represents an annualized trend of ■■■, which is the same as the quarterly rate factor used in the 2020 filing.

The rate changes will vary by geographic area due to updated geographic area rating factors. See Exhibit 7.1 in “Section 7: Demographic Shift” for a comparison of the current and proposed geographic area rating factors.

The main considerations for the proposed rate changes are:

- Projected medical inflation and increased utilization as indicated in Section 5: Trend Factors,
- The elimination of the health insurance tax in 2021,
- Increases to the administrative expense and contribution to surplus and risk margins as indicated in Section 14: Administrative Costs, and
- The return of claim utilization to more normal levels in 2021, as much care was deferred in 2020.

Other factors affecting the proposed rates are:

- Projected 2020 experience (without including the impact of COVID–19) lower than anticipated (mainly attributed to improved drug discounts and drug rebates), and
- Changes in member cost sharing (varies by plan).

BCBSAL considered the following with regards to COVID–19:

- Deferred / Foregone Care: March, April, and May 2020 claims were significantly less than expected due to lower utilization,
- Pent up demand: Some care that was deferred in 2020 could cause an increase to 2021 utilization,
- The additional cost of COVID–19 testing and treatment (in 2020) has been outweighed by deferred/foregone care in 2020.

- Provider reimbursement pressure in 2021 due to the financial strain brought on by COVID-19 and the resulting deferred/foregone care of 2020.

In total, BCBSAL assumes that the cost of treating and testing COVID-19 and pent up demand will be negated by continued hesitancy of members to return to providers for normal levels of care, but the economic impact to providers in 2020 will create upward pressure on provider reimbursement levels.

Exhibit 2.2 provides the components of the average rate increase. While the 2021 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.

Exhibit 2.2: Components of Rate Increase	
Components of Rate Increase	Required Premium Increase from 2020 to 2021
Incurred Claims Trend (Includes Leveraging)	
Utilization Returning to Pre COVID-19 Levels	
Health Insurance Tax Discontinued in 2021	
Administrative Expenses	
Contribution to Surplus & Risk Margin	
Average Impact of Cost Sharing Changes	
2020 Experience Excluding Impact of COVID-19	
Impact of COVID-19 on 2020 Claims	
Risk Adjustment Changes	
Required Premium increase in 2021 from 2020 Premiums	

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 and are the same for each renewal quarter. The overall average rate change is based on a member weighted average using May 2020 enrollment.

Exhibit 2.3: Plan Level Rate Changes for 2021 by Renewal Quarter

Plan	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Average Rate Change
Blue Choice Platinum for Business	3.0%	3.0%	3.0%	3.0%	3.0%
Blue Access Gold for Business	2.9%	2.9%	2.9%	2.9%	2.9%
Blue Secure Gold for Business	2.9%	2.9%	2.9%	2.9%	2.9%
Blue Secure Silver for Business	2.5%	2.5%	2.5%	2.5%	2.5%
Blue HSA Silver for Business	2.9%	2.9%	2.9%	2.9%	2.9%
Blue Saver Bronze for Business	0.8%	0.8%	0.8%	0.8%	0.8%
Average Rate Change	2.7%	2.7%	2.7%	2.7%	2.7%

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 2019 based on the claim incurred date

Paid Through Date

May 31, 2020

Current Date

Current enrollment and premium found in Section 2 of Worksheet 2 is reported as of May 31, 2020.

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 2016, 2017, and 2018 combined was 0.867 (taken from CMS MLR & Rebate Calculation filed 07/31/2019). The 2019 Small Group MLR taken from the 2019 Supplemental Health Care Exhibit – Part 1 was 0.918. Consequently, BCBSAL has assumed a 2019 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 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 completion factors to actual rebates.

- (3) Capitation Payments (magnitude less than [REDACTED] of paid claims prior to any adjustments)

IBNP is \$0.

- (4) ACO – Value Based Payments (magnitude less than 0.1% of paid claims prior to any adjustments)

IBNP is \$2,855.

For Drug Rebates, Capitation Payments, and ACO – Value Based 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 2019 with claims paid through May 31, 2020, 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 2019 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 2019. 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).

Exhibit 3.1: Incurred Claims					
Benefit Category	In System	Out System	IBNP	Total	Completion Factor
[Redacted]					

Exhibit 3.2: Allowed Claims					
[Redacted]					

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	2019 Claims incurred but not paid as of 05/31/2020 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 2019 Supplemental Health Care Exhibits of BCBSAL's 2019 Annual filing. The data in the Appendix do not equal the experience period data (year 2019) used in the URRT in the development of the 2021 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 Pharmacy Benefit Manager.

Section 5: Trend Factors

Trend Factors (Cost/Utilization)

BCBSAL cost and utilization projected 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 in reimbursement or utilization.

The trends discussed in this section do not reflect the impact of COVID-19 as BCBSAL projects that the impact-for Small Group-will be fully contained in calendar year 2020, and, as such, will have no impact when developing rating indications when based on the calendar year 2019 experience period.

BCBSAL also used actuarial judgement when considering changes in demographics, benefits, seasonality, and one-time events.

Exhibit 5.1 shows the components of trend broken into Year 1 (2020) and Year 2 (2021).

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

Because the URRT instructions do not define a methodology for reflecting the change in allowed cost due to a shift in plan mix 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 Impact of Plan Mix Change of [REDACTED].

This two year annualized average will have a constant impact during 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 Impact of Plan Mix Change (the Annualized Impact of Plan Mix Change is applied to all Benefit Categories except Capitation).

Exhibit 5.2 shows Year 1 and Year 2 plan mix change adjusted trend factors by benefit category.

Even though Exhibit 5.2 is the result of applying the Annualized Impact of Plan Mix Change of 1.0005 from Exhibit 8.3 to Exhibit 5.1, this impact may not be visible in all cells of Exhibit 5.2 due to the relatively small size of the Annualized Impact of Plan Mix Change.

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

Section 6: Morbidity Adjustment

Morbidity Adjustment

[REDACTED]

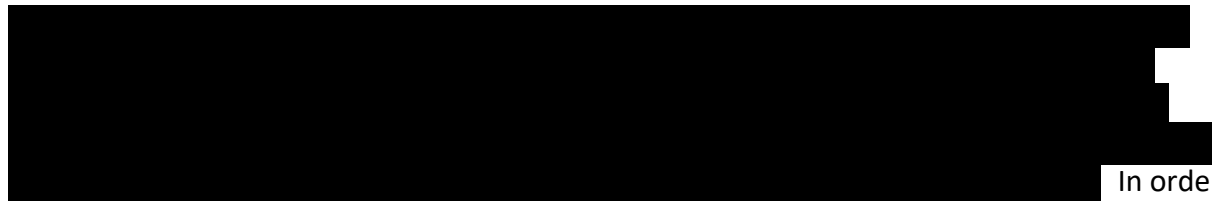
[REDACTED]

Section 7: Demographic Shift

Demographic changes were estimated using the age curve described in the paragraph immediately preceding Exhibit 18.3 and BCBSAL's area rating factors along with projected member months.

Proposed Area Factor Changes and Adjustment Factor

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.

BCBSAL also considered the following:

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

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

Exhibit 7.1: Area Factors	
MSA	Rating Area
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 2019 experience period average area factor of [REDACTED] which was developed as the weighted average of the 2021 area factors using the actual 2019 enrollment across rating areas as weights.

Exhibit 7.2 also shows the numerical development of the projection period average area factor of [REDACTED] which was developed as the weighted average of the 2021 area factors using the projected enrollment distribution across rating areas as weights.

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

Exhibit 7.2: Area Factor Adjustment				
MSA	Rating Area	Proposed Area Factors	Actual 2019 Enrollment Distribution	Projected 2021 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				

Age Factor Adjustment

BCBSAL used the age curve described in the paragraph immediately preceding Exhibit 18.3 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 7.3 and 7.4.

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 from calendar year 2019 as a basis for the monthly percent change impact in the projected data. The Projection Period Average Age Factor is a weighted average of the projected monthly Average Age Factor and the projected Total Members.

Exhibit 7.3: Historical Average Age Factor Change Analysis

Month	Data Type	Total Members	Average Age Factor	Monthly Change
				

Exhibit 7.4: Projected Average Age Factor Changes				
Month	Data Type	Total Members	Average Age Factor	Monthly Change
[Redacted Data]				

Tobacco Factor Adjustment

Tobacco factor adjustment is 1.000; BCBSAL does not rate for tobacco in Small Group Market.

Total Demographic Shift

Exhibit 7.5 shows the calculation of the total demographic shift factor.

Exhibit 7.5: Demographic Shift	Factor
[Redacted Data]	

Section 8: Plan Design Changes

The experience period, which is calendar year 2019, includes policy years that began in 2018 and 2019 as Small Group policies renew throughout the year.

Consequently, the impact of plan design changes from the experience period to the projection period was quantified by considering the policy years beginning in 2018 and 2019 in proportion to each year's exposure during the experience period.

From the experience period to the projection period, BCBSAL made changes to benefits which include cost sharing and drug formulary changes.

These changes were implemented to (1) maintain Actuarial Values within de minimis ranges, and/or (2) reflect changes in the cost and utilization of medical care.

The impact of plan design changes was estimated using the Milliman Managed Care Rating Model which was calibrated to BCBSAL's Small Group experience.

More specifically, the Milliman Managed Care Rating Model was used to model benefits for policy years that began in 2018 and 2019 (proportionately during the experience period) and policy years beginning in 2021 (projection period).

The difference between the two values of (1) experience period, and (2) projection period shown in Exhibit 8.1 is due only to changes in cost sharing and drug formularies.

Exhibit 8.1: Impact of Plan Design Changes from Experience Period to 2021 by Plan

Because two plans with exposure in the experience period (1) Blue HSA Gold for Business, and (2) Blue HSA Bronze for Business have terminated, and will have no exposure during the projection period, the impact of the plan design changes must be quantified in three steps.

These three steps remove the impact of plan mix on utilization which is included elsewhere in the rate development as an adjustment to utilization trend.

- First, the *Combined Impact of Plan Mix and Plan Design Changes* is quantified from the experience period to the projection period as shown in Exhibit 8.2 as a factor of [REDACTED].
- Second, the *Impact of Plan Mix Change* is quantified from the experience period to the projection period as shown in Exhibit 8.3 as a factor of [REDACTED].
- Third, the impact of *Plan Design Changes* as a factor of 0.998 is calculated as the ratio of:
 - a. *Combined Impact of Plan Mix and Plan Design Changes*, [REDACTED], to
 - b. *Impact of Plan Mix Change*, [REDACTED].

Where:

$$[REDACTED] \approx \frac{\text{Combined Impact of Plan Mix and Plan Design Changes of } [REDACTED]}{\text{Impact of Plan Mix Change of } [REDACTED]}$$

Exhibit 8.2: Combined Impact of Plan Mix and Plan Design Changes

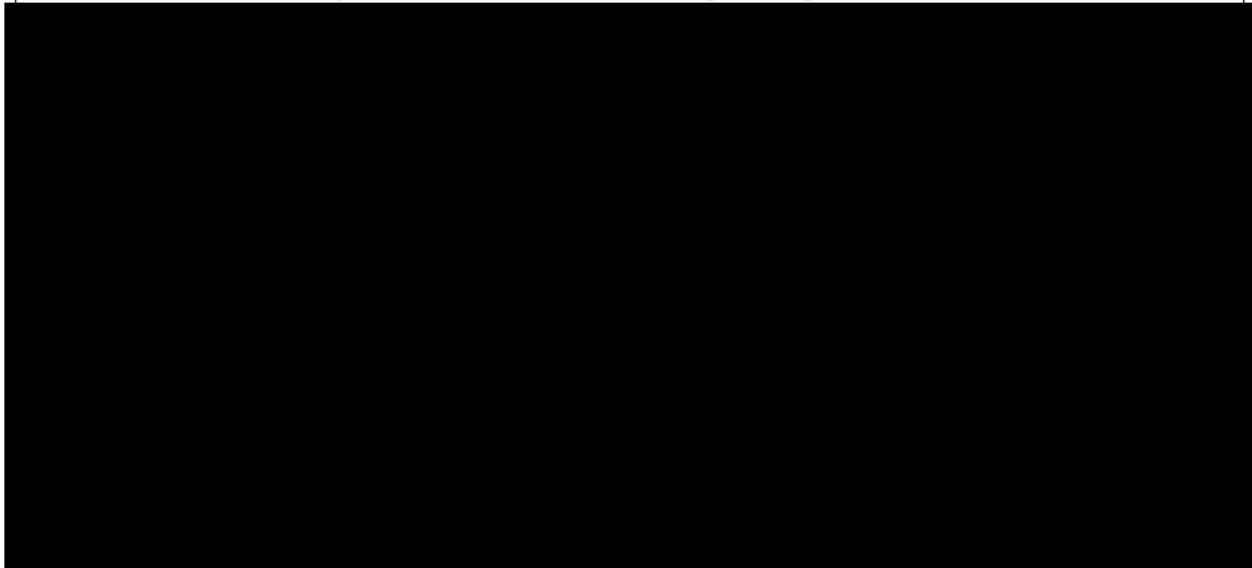
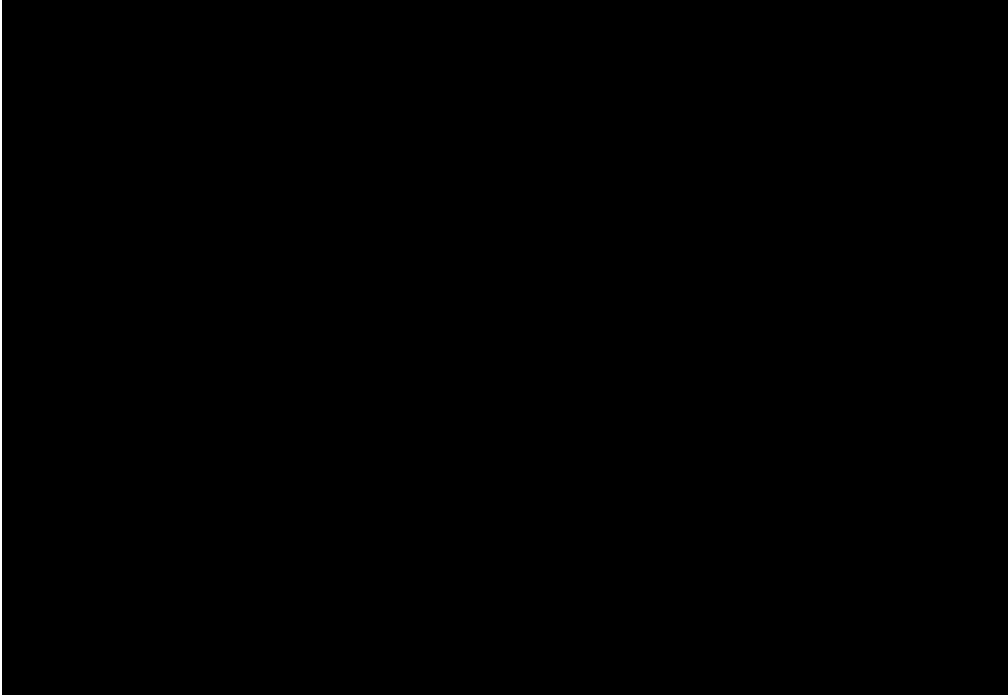


Exhibit 8.3: Impact of Plan Mix Change



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 2019 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 of the development of BCBSAL’s 2019 Small Group ACA Index Rate.

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

The Index Rate equals the allowed claims PMPM from the experience period less non-EHB claims covered during the experience period [REDACTED]. The non-EHB claims during the experience period were associated with Adult Vision and Bariatric Surgery benefits covered only with the Blue Choice Platinum for Business plan; not included among the non-EHB claims covered during the experience period is Medical Nutrition Therapy Services which will be introduced with all Small Group plans for policy years beginning in 2021.

Experience Period Index Rate PMPM = [REDACTED]

Projection Period Index Rate

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

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

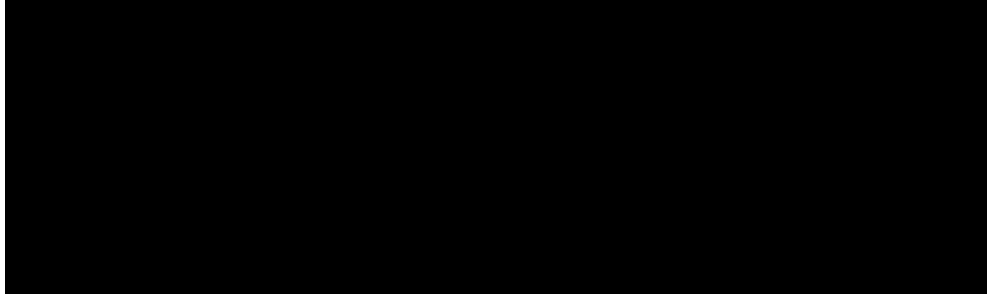
The Cost and Utilization Trend factors are applied for the 24 months from the mid-point of the experience period to the mid-point of the projection period. For example, the Trended EHB Allowed Claims PMPM for Other Medical is calculated as follows:

[REDACTED]

Note the development of the [REDACTED] results when viewing the factors of [REDACTED] and [REDACTED] to further decimals as these factors extend in the actual calculation as [REDACTED] and [REDACTED] respectively.

BCBSAL applied the Projection Factors in Exhibit 11.3 (Section 6: Morbidity Adjustment, Section 7: Demographic Shift, and Section 8: Plan Design Changes) to the Trended EHB Allowed Claims PMPM to develop the Projection Period Index Rate.

Exhibit 11.3: Calculation of Projection Period Index Rate



The Projection factors are applied for the 24 months from the mid-point of the experience period to the mid-point of the projection period.

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

Also, as described in Section 10, BCBSAL has assigned full credibility to its base period experience and no manual rate adjustment is necessary.

Section 12: Development of Market-wide Adjusted Index Rate

The Market Adjusted Index Rate is calculated as the index rate adjusted for all allowable market-wide modifiers, including 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 URRT rounding requirements.

Exhibit 12.1: Calculation of Market Adjusted Index Rate		
[Redacted]		

Experience Period Risk Adjustment

The risk adjustment transfer for the 2019 BCBSAL Small Group Market is listed in Exhibit 12.2. As published by CMS on 07/17/2020, this is the amount BCBSAL will pay for 2019 net of High-Cost Risk Pool payments and charges.

Exhibit 12.2: 2019 Risk Adjustment Transfer		
Member Months	Transfer Payment	Transfer on A PMPM Basis
[Redacted]	\$4,753,805	[Redacted]

Projected Risk Adjustments PMPM

[Redacted]		
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Exchange User Fee

Since issuers are not required to pay user fees for SHOP enrollment in 2021, 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:

- 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 Small Group Market,
- 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, and
- Demonstrate 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

The Paid to Allowed Ratio is derived as follows:

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

The numerator is incurred claims (Projected Paid Amount in Exhibit 13.1), and the denominator is allowed claims (Projected Allowed Amount in Exhibit 13.1).

Both incurred and allowed claims are adjusted for projected drug rebates and capitation payments.

The calculation of BCBSAL's Paid to Allowed Ratio is shown in exhibit 13.1.

Exhibit 13.1: Projected 2021 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 ¹	Projected Paid to Allowed Ratio ²	Projected Paid Amount	Projected Allowed Amount

¹Projected 2021 Allowed PMPMs can be found in Exhibit 13.3.

²Projected 2021 Paid to Allowed Ratios can be found in exhibit 13.2.

Projected 2021 Paid to Allowed Ratios

Exhibit 13.2 shows the development of the each plan's Projected 2021 Paid to Allowed Ratio as listed in column C of Exhibit 13.1.

Exhibit 13.2: Projected 2021 Paid to Allowed Ratios by Plan				
	A	B	C	D = A x B x C
Plan Name	2019 (Actual) Paid to Allowed Ratio	Increase Due to Leveraging	Impact of Cost Sharing Changes	Projected 2021 Paid to Allowed Ratio

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.

Due to a lack of credible membership, the “Projected 2021 Paid to Allowed Ratio” (Exhibit 13.2, Column D) for Blue HSA Silver for Business of [REDACTED] was developed by calibrating to Blue Secure Silver for Business as described below.

Blue Secure Silver for Business			
Blue HSA Silver for Business			

Projected 2021 Allowed PMPMs by Plan

Exhibit 13.3 shows the development of the each plan’s Projected 2021 Allowed PMPM as listed in column B of Exhibit 13.1.

Exhibit 13.3: Projected 2021 Allowed PMPMs by Plan				
	A	B	C	D = A x B x C
Plan Name	2019 (Actual) Allowed PMPM	Trend Factor	Impact of Cost Sharing Changes	Projected 2021 Allowed PMPM

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 developed in Section 5 in Exhibit 5.1.

The 2019 (Actual) Paid to Allowed Ratios in Exhibit 13.2 and the 2019 (Actual) Allowed PMPM in Exhibit 13.3 by plan do not include data for capitated benefits, drug rebates, and a small amount of payments that were processed outside of the claims system. These items are captured in the total.

Due to a lack of credible membership, the “Projected 2021 Allowed PMPM” (Exhibit 13.3, Column D) for Blue HSA Silver for Business of [REDACTED] was developed by calibrating to Blue Secure Silver for Business as described below.

Blue Secure Silver for Business
[REDACTED]
Blue HSA Silver for Business
[REDACTED]

The 2021 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 2021 Paid to Allowed Ratio for each plan in column A of Exhibit 13.4.

A total Modeled 2021 Paid to Allowed Ratio across all plans of [REDACTED] was developed as the weighted average using the product of Projected 2021 Member Months and 2021 Induced Utilization Adjustment Factors as weights.

The 2021 Paid to Allowed Adjustment Factors in column C of Exhibit 13.4 were developed by normalizing the Modeled 2021 Paid to Allowed Ratios in column A of Exhibit 13.4 to the 2021 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 [REDACTED].

Exhibit 13.4: 2021 Paid to Allowed Adjustment Factors			
	A	B	C
Plan Name	Modeled 2021 Paid to Allowed Ratio	2021 Projected Total Paid to Allowed Ratio	2021 Paid to Allowed Adjustment Factor
[REDACTED]			

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 2021 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 2021. Assumptions for 2020 are listed for reference only.

Exhibit 14.1: Components of Total URRT Retention		
Component	Retention Factors	
	2020	2021
Administrative Expenses	[REDACTED]	[REDACTED]
Contribution to Surplus & Risk Margin	[REDACTED]	[REDACTED]
Taxes and Fees (from Exhibit 14.2)	[REDACTED]	[REDACTED]
Total URRT Retention	[REDACTED]	[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 2021. The taxes and fees components for 2020 are listed for reference only.

Exhibit 14.2: Components of Taxes and Fees		
Component	Retention Factors	
	2020	2021
State Premium Tax	0.490%	0.508%
Health Insurer Fee		
Risk Adjustment User Fee		
Patient-Centered Outcomes Research Institute (PCORI) Fee		
Total Taxes and Fees		

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

Taxes and Fees (expressed as a percent of premium):

- 2020 State Premium Tax 0.508% [REDACTED]

State Taxes – state premium tax established by state law as 0.5% percent of premium for groups with under 50 employees participating in the health plan. For other groups, the tax is established at 1.6% of premium. Using these tax rates, the average small group tax rate for all plans is calculated to be [REDACTED]. Governmental groups are exempt from State Premium Tax and account for approximately [REDACTED] of premium, so the [REDACTED] is adjusted accordingly.

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

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

- Risk Adjustment User Fee [REDACTED]
The HHS Notice of Benefit and Payment Parameters for 2021 established the 2021 risk adjustment user fee at \$3.00 PMPY or \$0.25 PMPM. This converts to approximately [REDACTED] of BCBSAL’s 2021 projected Small Group ACA premium.

- Patient-Centered Outcomes Research Institute (PCORI) Fee [REDACTED]
The IRS indicated, via IRS Notice 2020-44, a PCORI Fee of \$2.54 PMPY for plan years ending on or after 10/01/2019 and before 10/01/2020. By applying assumed growth, a projected PCORI Fee of [REDACTED] was developed for plan years ending on or after 10/01/2020 and before 10/01/2021. Similarly, a projected PCORI Fee of [REDACTED] was developed for plan years ending on or after 10/01/2021 and before 10/01/2022. With these PMPY assumptions, and projected Small Group membership by renewal month in 2021, a PMPY of [REDACTED] was assumed in the development of premium rates for Small Group policy years beginning in 2021 which is approximately [REDACTED] of BCBSAL’s 2021 projected Small Group ACA premium.

Section 15: Other Plan Level Adjustments

Provider Network Adjustment Factor




Benefits in Addition to EHBs Adjustment Factors


Non-EHBs Included in 2021:

- Adult Vision – for only Blue Choice Platinum for Business plan,
- Bariatric Surgery – for only Blue Choice Platinum for Business plan, and
- Medical Nutrition Therapy Services – for all Small Group plans.

Blue Choice Platinum for Business:

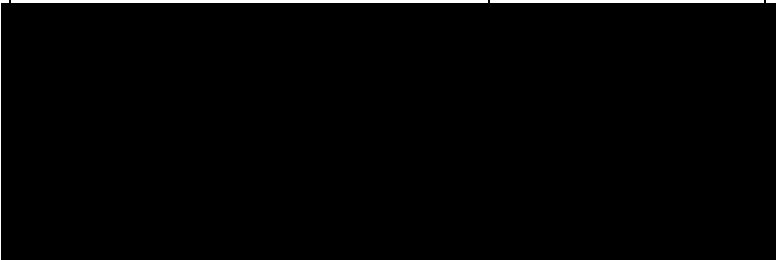
- Adjustment factor for Adult Vision, and Bariatric Surgery was developed by expressing the 2019 allowed claim PMPM for these non-EHBs as a percent of the 2019 total EHB allowed claim PMPM,
- Impact of the Medical Nutrition Therapy Services was developed using actuarial judgment as this non-EHB was first included in policy years beginning in 2021, and
- Percent impact adjusted to include Medical Nutrition Therapy Services is projected to be .

All Other Small Group Plans:

- Impact of the Medical Nutrition Therapy Services was developed using actuarial judgment as this non-EHB was first included in policy years beginning in 2021, and
- Percent impact is projected to be .

Non-EHB Factor by Plan

Exhibit 15.1 shows the non-EHB factor by plan.

Exhibit 15.1: Non-EHB Factor by Plan	
Plan Name	Non-EHB Factor
	

Section 17: Calibration

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

Age Calibration:

The Plan Adjusted Index Rates were calibrated using the 2021 Projection Period Average Age Calibration Factor (using the age curve described in the paragraph immediately preceding Exhibit 18.3) of [REDACTED] shown in Exhibit 17.2.

This [REDACTED] differs from the 2021 Projection Period Average Age Factor of [REDACTED] shown in Exhibit 7.4, as the [REDACTED] accounts for members for whom no premium is paid due to the cap of three oldest child dependents under age 21.

The monthly Adjusted Avg. 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 Avg. Age Factors were compared to the monthly Average Age Factors calculated in Exhibit 7.3 of Section 7.

The Average Monthly Percent Difference between the two factors was [REDACTED] as shown in Exhibit 17.1.

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

The 2021 Projection Period Average Age Calibration Factor of [REDACTED] was developed in Exhibit 17.2 as the member weighted average of the monthly 2021 Adjusted Avg. Age Factors.

Exhibit 17.1: Historical Adjusted Average Age Factors

Month	Data Type	Members	Avg. Age Factor	Adjusted Avg. Age Factor	Difference

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

Area Calibration:

The Plan Adjusted Index Rates were also calibrated using the 2021 Projection Period Average Area Factor of [REDACTED]

The development of the 2021 Projection Period Average Area Factor of [REDACTED] is shown in Exhibit 7.2 of Section 7.

Calibrated Plan Adjusted Index Rates

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

- Age Curve Calibration Factor (referred to earlier as the 2021 Projection Period Average Age Calibration Factor), and
- Area Calibration Factor (referred to earlier as the 2021 Projection Period Average Area Factor).

The development of the Calibrated Plan Adjusted Index Rates is shown in Exhibit 17.3.

The product of a given:

- Calibrated Plan Adjusted Index Rate, and
- Quarterly Trend Factor shown in Exhibit 18.1 of Section 18,

Equals the monthly premium rate for a 21 year old in Rating Area 3 as the Age Premium Factor is 1.000 (see Exhibit 18.3 of Section 18) and Area Premium Factor is 1.000 (see Exhibit 18.2 of Section 18).

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 URRT rounding requirements.

Exhibit 17.3: Calculation of Calibrated Plan Adjusted Index Rates				
	A	B	C	D = A / B / C
Plan Name	Plan Adjusted Index Rates	Age Curve Calibration Factor	Area Calibration Factor	Calibrated Plan Adjusted Index Rates

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 2021. 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 a 6% annualized trend.

Exhibit 18.1: Calculation of Quarterly Index Rate		
Issue/Renewal Quarter	Quarterly Trend Factor	Allowed Cost PMPM
1st Quarter 2021		
2nd Quarter 2021		
3rd Quarter 2021		
4th Quarter 2021		

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

- 40 year-old
- Huntsville MSA
- Blue Choice Platinum for Business Plan
- 1st Quarter 2021 renewal

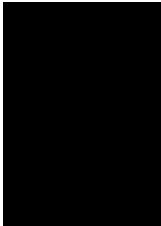
Blue Choice Platinum for Business Calibrated Plan Adjusted Index Rate

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.

Exhibit 18.2: Rating Area Premium Factors		
MSA	Rating Area	Factor
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, which is for the 2020 plan year, under advisement by the Alabama Department of Insurance that a subsequent bulletin will be released in the future with the same age rating curve for the 2021 plan year as Bulletin No. 2019-03. Exhibit 18.3 shows the 2021 age rating factors.

Exhibit 18.3: Age Premium Factors				
Age	2021		Age	2021
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 2021 Small Group Market is calculated below consistent with the federally prescribed MLR methodology of 45 CFR Part 158, §158.221.

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

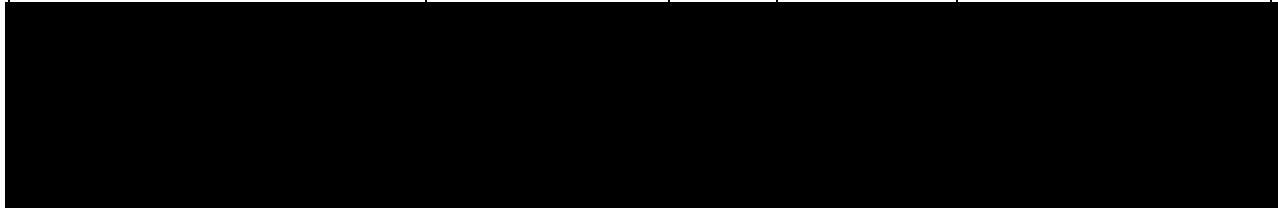
Exhibit 19.1 lists the variables, definitions, the values taken from BCBSAL’s projections for its 2021 Small Group Plans, and the MLR Result.

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	
p	Earned premiums	
t	Federal and State taxes and assessments	
f	Licensing & regulatory fees, incl. transitional reins. contributions	
t + f	Taxes & Fees, incl. transitional reins. contributions	
c	Credibility adjustment	
	MLR Result¹	



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.

Exhibit 20.1: Small Group Market – AV Metal Values				
Plan Name	Metal Level	AV Metal Value	Entirely Based On AV Calculator¹	AV Calculator Screenshot
				

¹ Required details of the alternative methodology used are described in BCBSAL’s filed document titled, “Blue Cross and Blue Shield of Alabama, 2021 Actuarial Certification of Actuarial Values, Small Group and Individual Markets”

Section 21: Membership Projections

Exhibit 21.1: 2021 Member Month Projections	
Plan	Total
[REDACTED]	

BCBSAL projected Small Group member months shown in Exhibit 21.1 by applying projected monthly net changes to actual 05/2020 enrollment.

For the remainder of 2020, projected monthly net changes assumed an approximate [REDACTED] in membership between [REDACTED] and [REDACTED]

For 2021, projected monthly net changes assumed approximately [REDACTED] of the [REDACTED] in membership between [REDACTED] and [REDACTED] was [REDACTED] throughout [REDACTED]

The projected membership mix across plans is assumed constant relative to 05/2020 as nothing between 05/2020 and 12/2021 is anticipated to occur that would lead to a shift in mix.

Section 22: Terminated Plans and Products

Plans listed in Exhibit 22.1 have or will have terminated prior to January 1, 2021, 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: Small Group Market			
Plan Name	Active From	Active To	Mapped To
Blue HSA Gold for Business	01/01/2014	12/31/2019	Blue HSA Silver for Business
Blue HSA Bronze for Business	01/01/2014	12/31/2019	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 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.”

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.
- CMS Risk Adjustment transfer reports for 2014 - 2019 were used to help develop risk adjustment transfer assumptions in the projection period.
- State of Alabama Bulletins No. 2013-04, and 2014-03 regarding geographic rating areas, and composite premiums respectively.
- Age rating curve established in the State of Alabama Department of Insurance Bulletin No. 2019-03, which is for the 2020 plan year, under advisement by the Alabama Department of Insurance that a subsequent bulletin will be released in the future with the same age rating curve for the 2021 plan year as Bulletin No. 2019-03.
- HHS Notice of Benefit and Payment Parameters for 2021.
- IRS Notice 2020-44 for PCORI Fee.

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 2020 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 Bulletin 2014-03.

BCBSAL used the age rating curve established in the State of Alabama Department of Insurance Bulletin No. 2019-03, which is for the 2020 plan year, under advisement by the Alabama Department of Insurance that a subsequent bulletin will be released in the future with the same age rating curve for the 2021 plan year as Bulletin No. 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

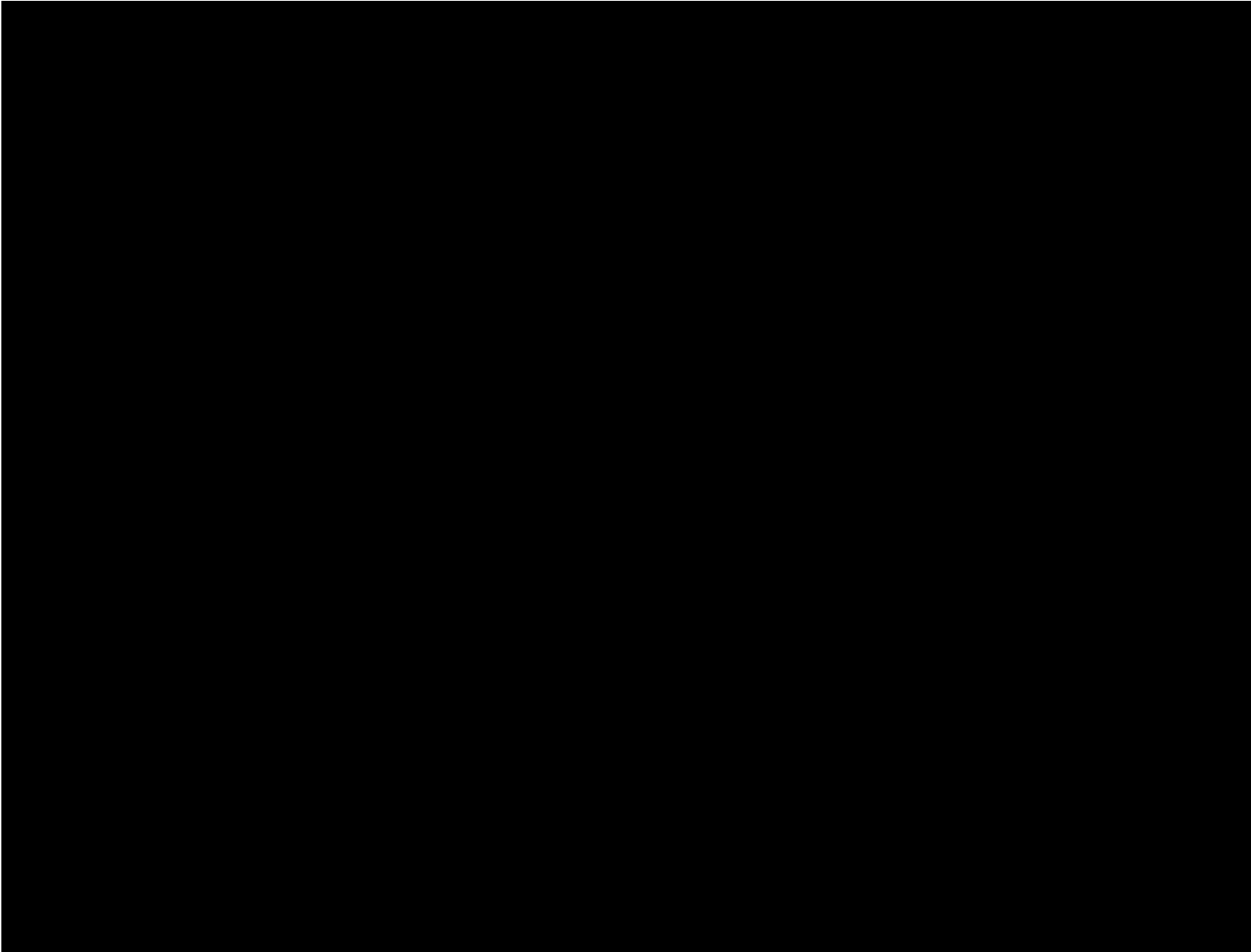
Noel Carden, FSA, MAAA
Vice President and Chief Actuary
Blue Cross and Blue Shield of Alabama

Cameron Daniel

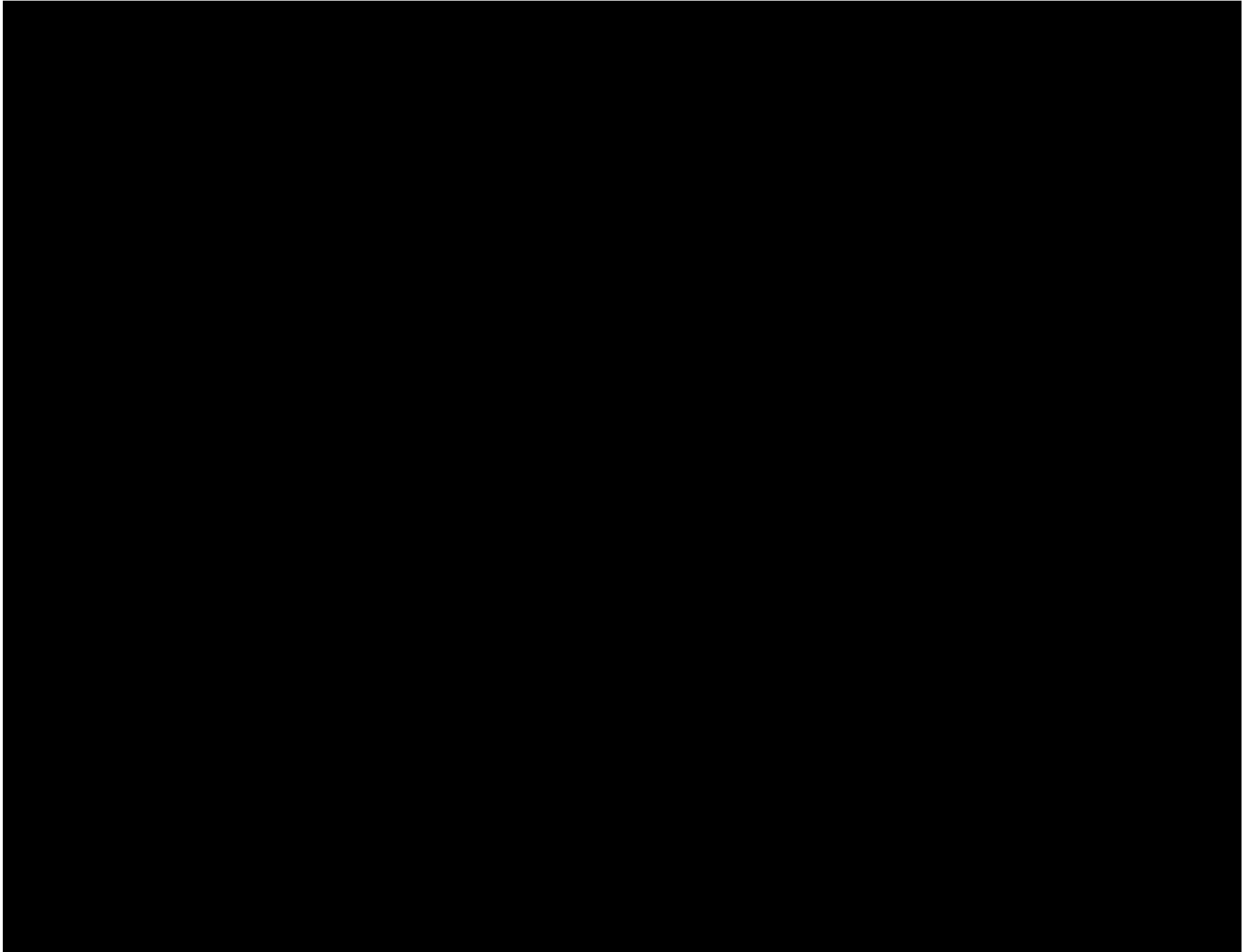
Cameron Daniel, FSA, MAAA
Manager Actuarial Services
Blue Cross and Blue Shield of Alabama

Appendix

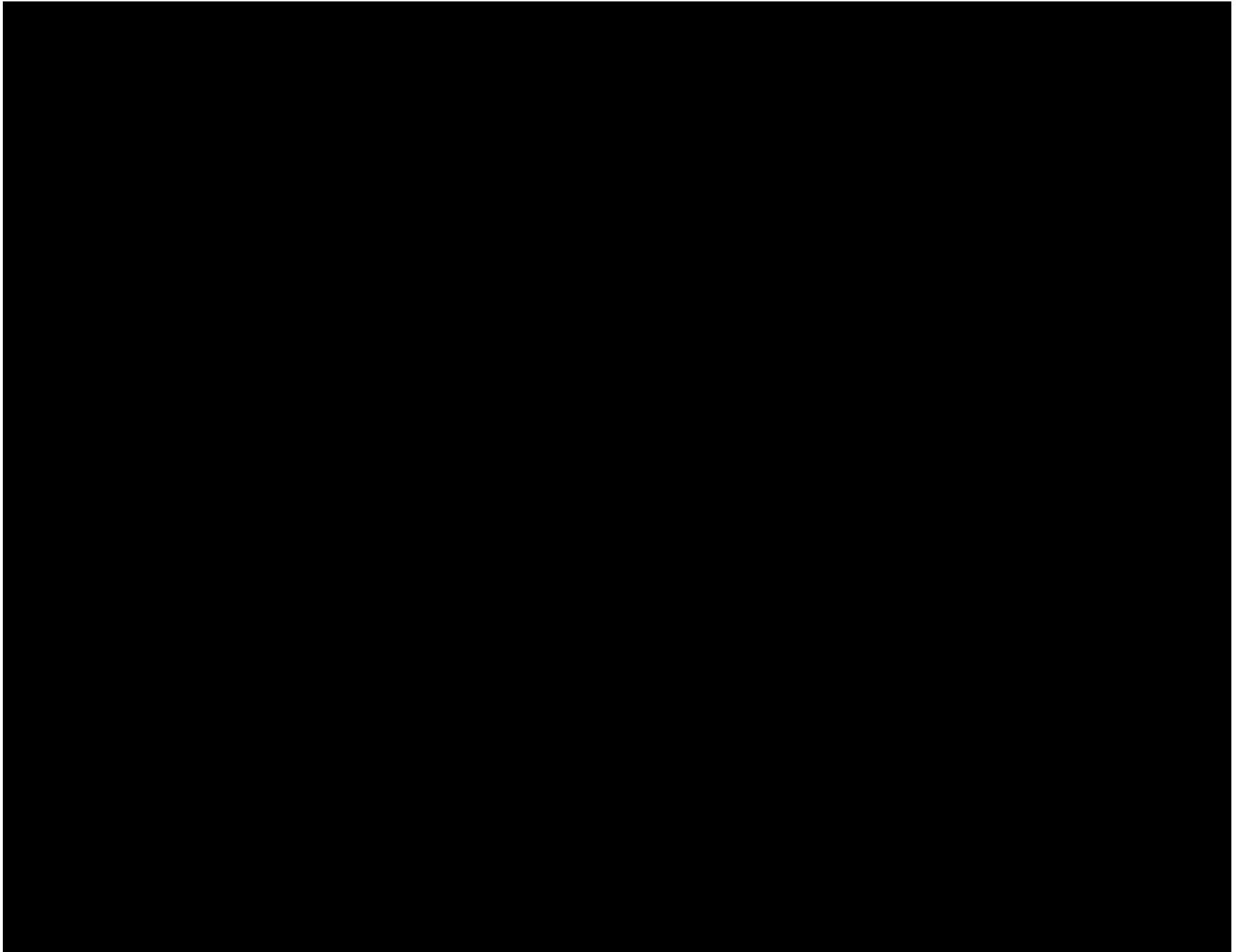
BLUE CHOICE PLATINUM FOR BUSINESS



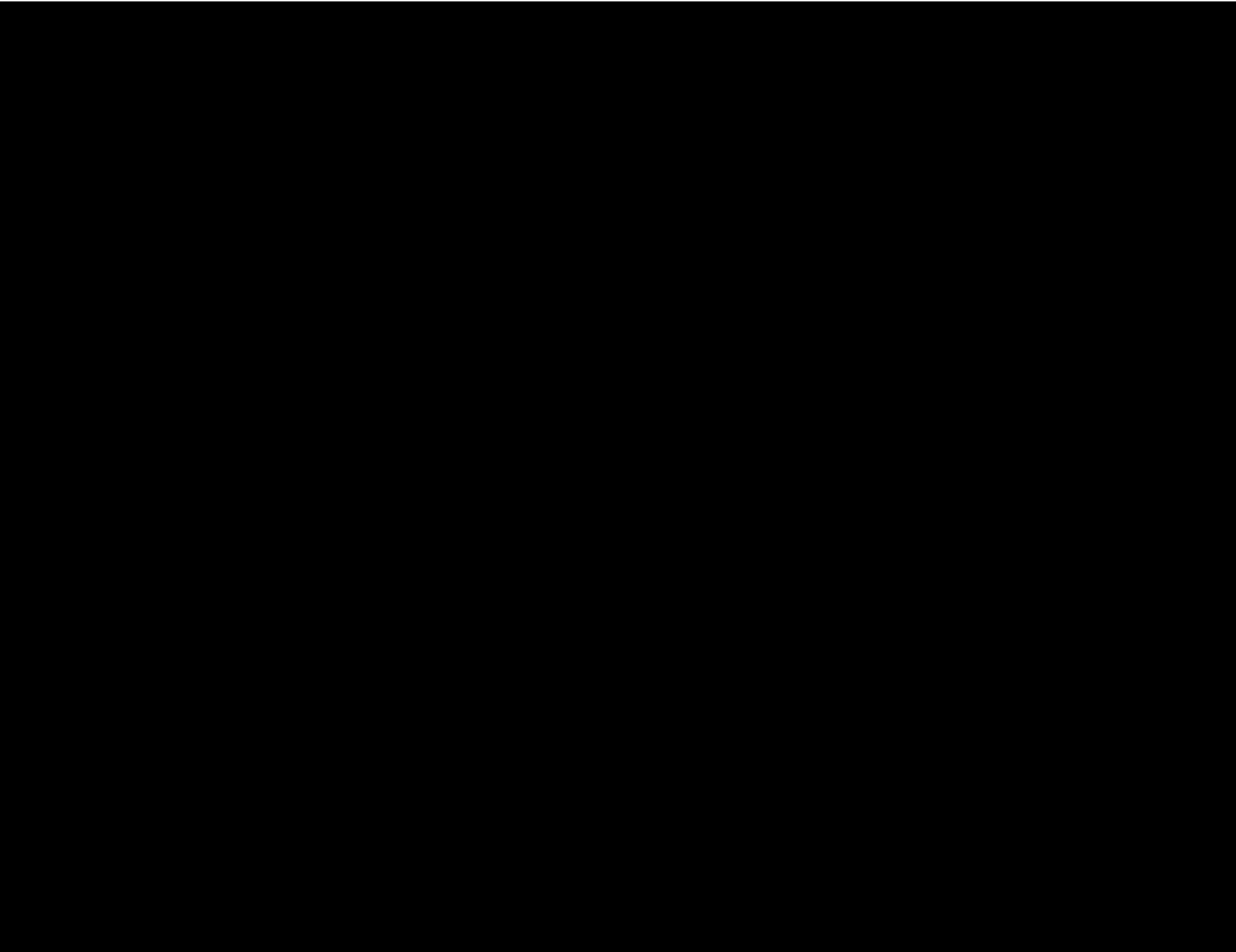
BLUE ACCESS GOLD FOR BUSINESS



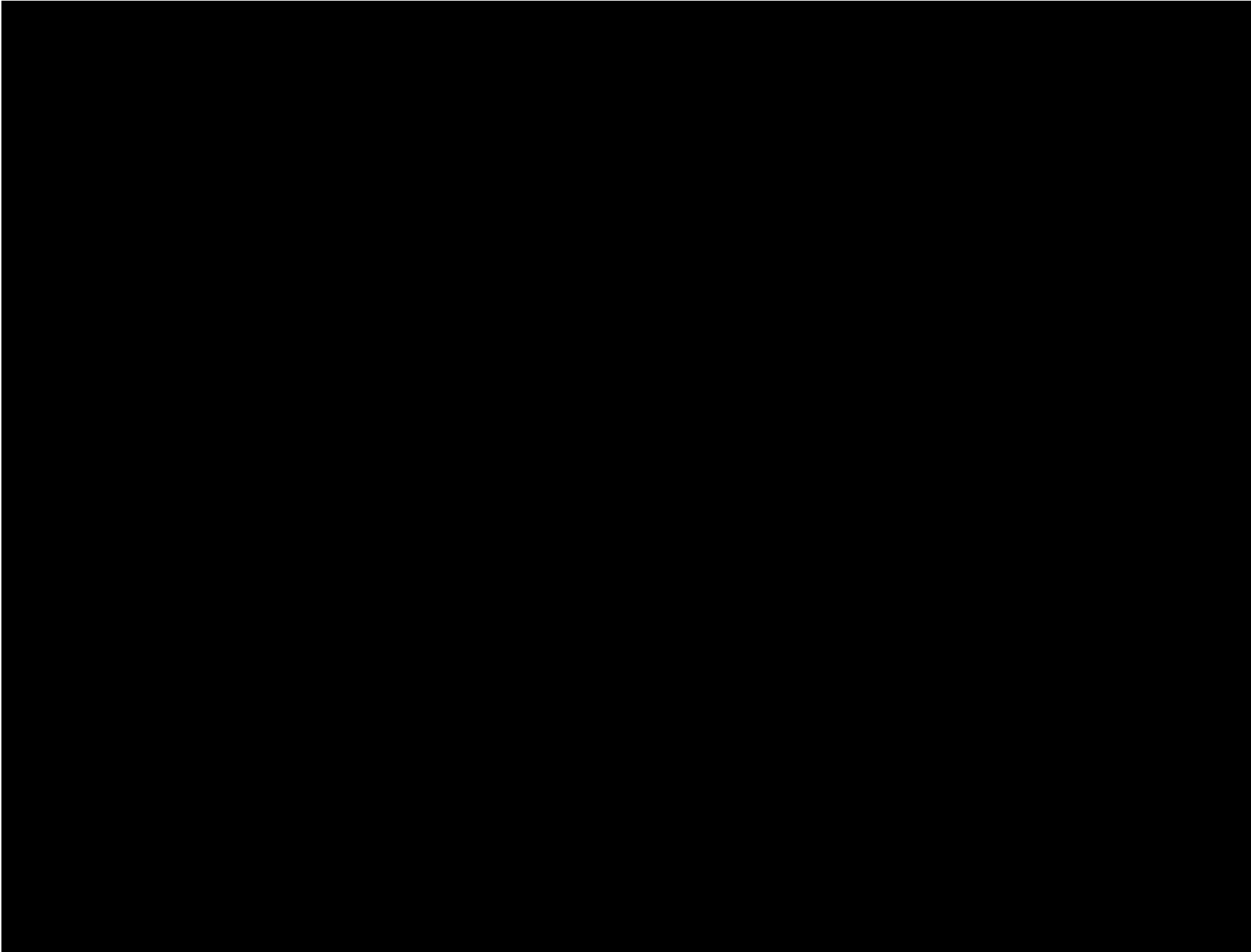
BLUE SECURE GOLD FOR BUSINESS



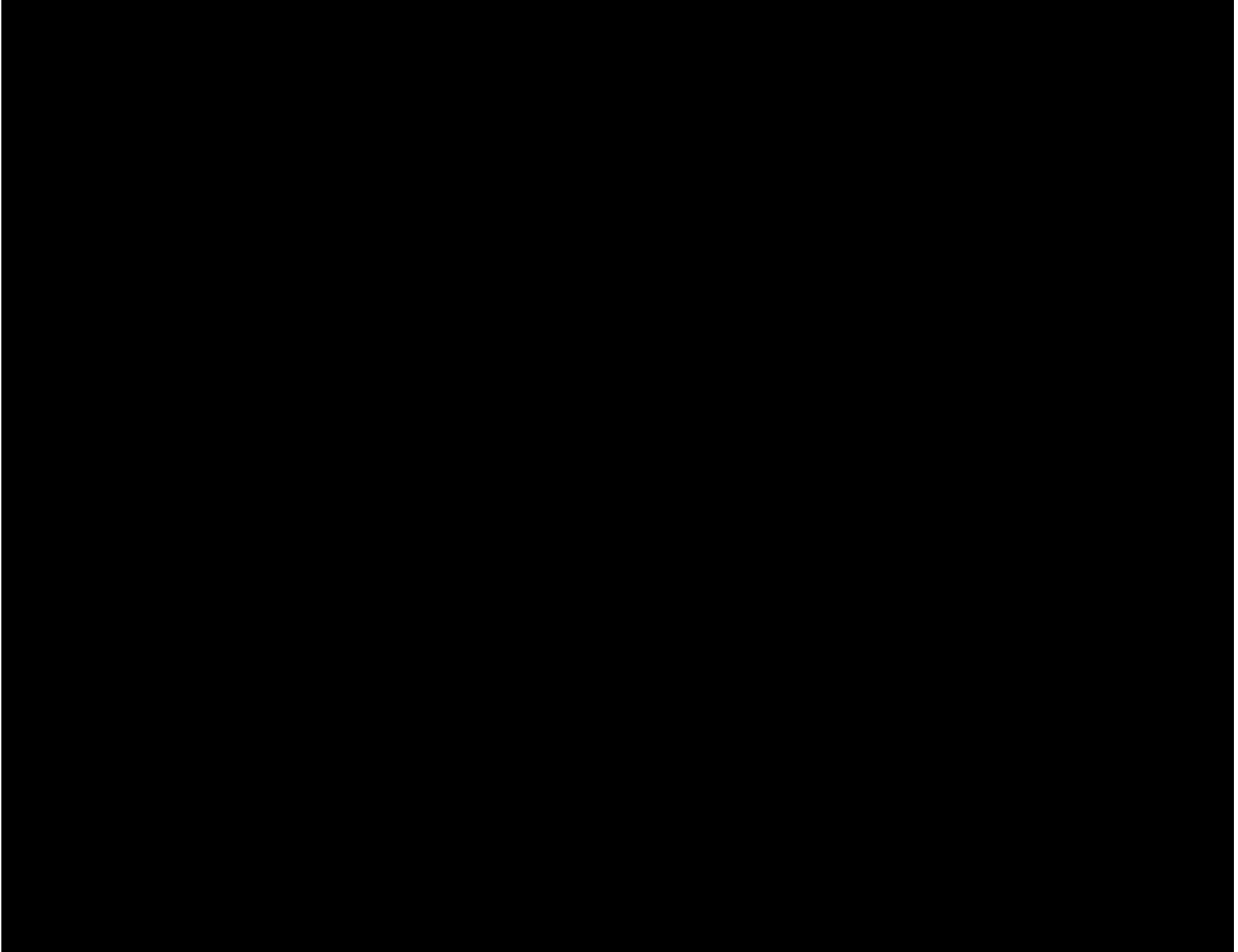
BLUE SECURE SILVER FOR BUSINESS



BLUE HSA SILVER FOR BUSINESS



BLUE SAVER BRONZE FOR BUSINESS





SUPPLEMENT FOR THE YEAR 2019 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)

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

2019

NAIC Company Code

55433

Table with columns for Comprehensive Health Coverage (Individual, Small Group, Large Group), Mini-Med Plans (Individual, Small Group, Large Group), Expatriate Plans (Small Group, Large Group), Student Health Plans, Government Business, Other Health Business, Medicare Advantage Part C and Medicare Part D Stand-Alone Subject to ACA, Subtotal, Uninsured Plans, and Total. Rows include Premiums, Claims, Medical Incentives, Fraud, Total Incurred Claims, Quality Improvement, Preliminary Medical Loss Ratio, Claims Adjustment Expenses, and Claims Adjustment Expense Ratio.

216-1AL

SUPPLEMENT FOR THE YEAR 2019 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)

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 2019

NAIC Company Code 55433

	Business Subject to MLR									9	10	11	12	13	14	15					
	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	Subtotal (Cols 1 thru 12)	Uninsured Plans	Total (13 + 14)
	1	2	3	4	5	6	7														
	Individual	Small Group Employer	Large Group Employer	Individual	Small Group Employer	Large Group Employer	Small Group	Large Group													
10. General and Administrative (G&A) Expenses:																					
10.1 Direct sales salaries and benefits.....	1,470,161	2,455,942	6,110,457									2,734,767	1,406,904	14,178,231	10,800,294	24,978,525					
10.2 Agents and brokers fees and commissions.....	814,856											2,141,948	2,626,518	5,583,322		5,583,322					
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.....	38,796,631	34,730,743	71,320,777									35,326,836	34,709,024	214,884,011	219,168,938	434,052,949					
10.4a Community Benefit Expenditures (informational only).....														0		0					
10.5 Total general and administrative (Lines 10.1 + 10.2 + 10.3 + 10.4)	41,081,648	37,186,685	77,431,234	0	0	0	0	0	0	0	0	40,203,551	38,742,446	234,645,564	229,969,232	464,614,796					
11. Underwriting Gain/(Loss) (Lines 1.12 – 5.7 – 6.6 – 8.3 – 10.5)	118,629,656	17,357,812	(17,273,718)	0	0	0	0	0	0	0	0	(6,104,836)	(3,735,066)	108,873,848	XXX	(361,795,908)					
12. Income from Fees of Uninsured Plans	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	399,428,551	399,428,551					
13. Net Investment and Other Gain/(Loss)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	113,710,869	XXX	113,710,869					
14. Federal Income Taxes (excluding taxes on Line 1.5 above)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	(215,603,001)	XXX	(215,603,001)					
15. Net Gain or (Loss) (Lines 11 + 12 + 13 – 14)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	438,187,718	XXX	366,946,513					
16. ICD-10 Implementation Expenses (informational only; already included in general expenses and Line 10.4)														0		0					
16a ICD-10 Implementation Expenses (informational only; already included in Line 10.4)														0		0					
OTHER INDICATORS:																					
1. Number of Certificates/Policies	119,824	109,027	278,389									407,396	113,554	1,028,190	881,045	1,909,235					
2. Number of Covered Lives	168,113	198,901	529,205									626,494	113,554	1,636,267	1,686,578	3,322,845					
3. Number of Groups	XXX	17,252	2,047	XXX										19,299	445	19,744					
4. Member Months	2,171,874	2,433,354	6,195,467									7,557,069	1,336,417	19,694,181	20,343,275	40,037,456					

If 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	2	3	4
	Individual Plans	Small Group Employer Plans	Individual Plans	Small Group Employer Plans
ACA Receivables and Payables				
1. Permanent ACA Risk Adjustment Program				
1.0 Premium adjustments receivable/(payable)	710,000	2,040,000	1,200,000	1,700,000
2. Transitional ACA Reinsurance Program				
2.0 Total amounts recoverable for claims (paid & unpaid)	0	XXX	273,166	XXX
3. Temporary ACA Risk Corridors Program				
3.1 Accrued retrospective premium.....	0	0	0	0
3.2 Reserve for rate credits or policy experience refunds	0	0	0	0
ACA Receipts and Payments				
4. Permanent ACA Risk Adjustment Program				
4.0 Premium adjustments receipts/(payments)	2,943,262	(294,541)	(171,794)	1,662,986
5. Transitional ACA Reinsurance Program				
5.0 Amounts received for claims	416,936	XXX	7,879,997	XXX
6. Temporary ACA Risk Corridors Program				
6.1 Retrospective premium received.....	0	0	3,101	0
6.2 Rate credits or policy experience refunds paid	0	0	0	0

SUPPLEMENT FOR THE YEAR 2019 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 2019

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.....	1,352,809,339	1,007,714,351	2,590,224,850	0	0	0	0	0	0	0	382,683,523	780,688,695	6,114,120,758
	1.2 Unearned premium prior year.....	(613,365)	1,199,529	(159,878)	0	0	0	0	0	0	0	220,374	(32,851)	613,809
	1.3 Unearned premium current year.....	(704,697)	7,178,992	4,344,126	0	0	0	0	0	0	0	590,780	(47,600)	11,361,601
	1.4 Change in unearned premium (Lines 1.2 – 1.3).....	91,332	(5,979,463)	(4,504,004)	0	0	0	0	0	0	0	(370,406)	14,749	(10,747,792)
	1.5 Paid rate credits.....	0	0	0	0	0	0	0	0	0	0	0	0	0
	1.6 Reserve for rate credits current year.....	0	0	26,834,077	0	0	0	0	0	0	0	2,116,560	0	28,950,637
	1.7 Reserve for rate credits prior year.....	0	0	36,813,690	0	0	0	0	0	0	0	2,310,272	0	39,123,962
	1.8 Change in reserve for rate credits (Lines 1.6 – 1.7).....	0	0	(9,979,613)	0	0	0	0	0	0	0	(193,712)	0	(10,173,325)
	1.9 Premium balances written off.....	0	0	0	0	0	0	0	0	0	0	0	0	0
	1.10 Group conversion charges.....	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).....	1,352,900,671	1,001,734,888	2,585,720,846	0	0	0	0	0	0	0	382,313,117	780,703,444	6,103,372,966
	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	(7,779,307)	0	(7,779,307)
	1.14 Ceded premiums earned to non-affiliates.....	534,094	600,146	1,115,271	0	0	0	0	0	0	0	0	0	2,249,511
	1.15 Other adjustments due to MLR calculation – Premiums.....	(1,927,122)	(4,737,866)	4,730,890	0	0	0	0	0	0	0	4,753,317	1,702,355	4,521,574
	1.16 Net premiums earned (Lines 1.11 - 1.5 - 1.8 + 1.12 + 1.13 - 1.14 + 1.15).....	1,350,439,455	996,396,876	2,599,316,078	0	0	0	0	0	0	0	379,480,839	782,405,799	6,108,039,047
2.	Direct Claims Incurred:													
	2.1 Paid claims during the year.....	1,090,951,991	913,385,019	2,420,711,764	0	0	0	0	0	0	0	327,928,726	722,001,628	5,474,979,128
	2.2 Direct claim liability current year.....	73,982,144	70,148,120	247,205,781	0	0	0	0	0	0	0	30,938,647	65,417,501	487,692,193
	2.3 Direct claim liability prior 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
	2.4 Direct claim reserves current year.....	0	0	0	0	0	0	0	0	0	0	6,769,459	0	6,769,459
	2.5 Direct claim reserves prior year.....	0	0	0	0	0	0	0	0	0	0	6,727,518	0	6,727,518
	2.6 Direct contract reserves current year.....	0	0	256,773,559	0	0	0	0	0	0	0	219,942,197	(57,096)	476,658,660
	2.7 Direct contract reserves prior year.....	0	0	274,351,932	0	0	0	0	0	0	0	206,415,047	1,645,259	482,412,238
	2.8 Paid rate credits.....	0	0	0	0	0	0	0	0	0	0	0	0	0
	2.9 Reserve for rate credits current year.....	0	0	26,834,077	0	0	0	0	0	0	0	2,116,560	0	28,950,637
	2.10 Reserve for rate credits prior year.....	0	0	36,813,690	0	0	0	0	0	0	0	2,310,272	0	39,123,962
	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	1,792,872	1,792,872
	2.11a Paid medical incentive pools and bonuses current year.....	0	0	0	0	0	0	0	0	0	0	0	1,792,872	1,792,872
	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).....	(1,303,640)	1,212,135	(2,395,593)	0	0	0	0	0	0	0	(140,023)	16,289,028	13,661,907
	2.12a Healthcare receivables current year.....	34,620,957	28,607,660	42,018,887	0	0	0	0	0	0	0	495,192	50,077,695	155,820,391
	2.12b Healthcare receivables prior 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
	2.13 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).....	1,088,844,588	912,477,267	2,418,864,212	0	0	0	0	0	0	0	341,618,979	715,352,630	5,477,157,676
	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	(11,412,194)	0	(11,412,194)
	2.18 Ceded incurred claims to non-affiliates.....	147,771	0	(409,239)	0	0	0	0	0	0	0	0	0	(261,468)
	2.19 Other adjustments due to MLR calculation – Claims.....	80,109	(637,155)	16,330,139	0	0	0	0	0	0	0	(4,262,902)	1,702,355	13,212,546
	2.20 Net Incurred Claims (Lines 2.15 - 2.8 - 2.9 + 2.10 + 2.16 + 2.17 - 2.18 + 2.19).....	1,088,776,926	911,840,112	2,445,583,203	0	0	0	0	0	0	0	326,137,595	717,054,985	5,489,392,821
3.	Fraud and Abuse Recoveries that Reduced PAID Claims in Line 2.1 above informational only).....	948,812	1,396,783	1,355,426								61,916	330,022	4,092,959

(a) Column 13, Line 1.1 includes direct written premium of \$ 147,155,259 for stand-alone dental and \$ for stand-alone vision policies.

216-2.AL

SUPPLEMENT FOR THE YEAR 2019 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					2019	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	4,585,435	5,893,094	24,164,241	34,642,770	
1.2	Outsourced services.....						0	448,736	255,660		704,396	
1.3	EDP equipment and software (incl \$ for affiliated services).....						0	28,651	39,126	529,556	597,333	
1.4	Other equipment (excl. EDP) (incl \$ for affiliated services).....						0	26,872	5,600	1,521,253	1,553,725	
1.5	Accreditation and certification (incl \$ for affiliated services).....		XXX	XXX	XXX	XXX	0				0	
1.6	Other expenses (incl \$ for affiliated services).....						0	4,172,803	724,474	14,866,598	19,763,875	
1.7	Subtotal before reimbursements and taxes (1.1 to 1.6).....	0	0	0	0	0	0	9,262,497	6,917,954	41,081,648	57,262,099	
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	0	9,262,497	6,917,954	41,081,648	57,262,099	
1.11	Total Fraud and abuse detection/recovery expenses included in Column 7 (informational only).....						0		129,131		129,131	
2.	Small Group Comprehensive Coverage Expenses:											
2.1	Salaries (including \$ for affiliated services).....						0	4,225,290	6,123,892	21,452,879	31,802,061	
2.2	Outsourced Services.....						0	539,829	229,241		769,070	
2.3	EDP equipment and software (incl \$ for affiliated services).....						0	26,086	37,674	642,076	705,836	
2.4	Other equipment (excl. EDP) (incl \$ for affiliated services).....						0	22,558	19,191	1,511,784	1,553,533	
2.5	Accreditation and certification (incl \$ for affiliated services).....		XXX	XXX	XXX	XXX	0				0	
2.6	Other expenses (incl \$ for affiliated services).....						0	10,962,857	1,242,266	13,579,945	25,785,068	
2.7	Subtotal before reimbursements and taxes (2.1 to 2.6).....	0	0	0	0	0	0	15,776,620	7,652,264	37,186,684	60,615,568	
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	0	15,776,620	7,652,264	37,186,684	60,615,568	
2.11	Total fraud and abuse detection/recovery expenses included in Column 7 (informational only).....						0		127,274		127,274	
3.	Large Group Comprehensive Coverage Expenses:											
3.1	Salaries (including \$ for affiliated services).....						0	8,718,057	15,054,141	47,315,361	71,087,559	
3.2	Outsourced services.....						0	965,473	694,053		1,659,526	
3.3	EDP equipment and software (incl \$ for affiliated services).....						0	68,416	68,207	1,290,485	1,427,108	
3.4	Other equipment (excl. EDP) (incl \$ for affiliated services).....						0	45,763	50,918	3,261,820	3,358,501	
3.5	Accreditation and certification (incl \$ for affiliated services).....		XXX	XXX	XXX	XXX	0				0	
3.6	Other expenses (incl \$ for affiliated services).....						0	27,967,492	2,321,005	25,563,569	55,852,066	
3.7	Subtotal before reimbursements and taxes (3.1 to 3.6).....	0	0	0	0	0	0	37,765,201	18,188,324	77,431,235	133,384,760	
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	0	37,765,201	18,188,324	77,431,235	133,384,760	
3.11	Total fraud and abuse detection/recovery expenses included in Column 7 (informational only).....						0		265,741		265,741	

216-3.AL

SUPPLEMENT FOR THE YEAR 2019 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		BUSINESS IN THE STATE OF		DURING THE YEAR			NAIC Company Code				
0570		Alabama		2019			55433				
All Expenses		Improving Health Care Quality Expenses					Claims Adjustment Expenses				
		1	2	3	4	5	6	7	8	9	10
		Improve Health Outcomes	Activities to Prevent Hospital Readmissions	Improve Patient Safety and Reduce Medical Errors	Wellness & Health Promotion Activities	HIT Expenses	Total (1 to 5)	Cost Containment Expenses	Other Claims Adjustment Expenses	General Administrative Expenses	Total Expenses (6 to 9)
4.	Individual Mini-Med Plans Expenses										
4.1	Salaries (including \$ for affiliated services).....						0				0
4.2	Outsourced services.....						0				0
4.3	EDP equipment and software (incl \$ for affiliated services).....						0				0
4.4	Other equipment (excl. EDP) (incl \$ for affiliated services).....						0				0
4.5	Accreditation and certification (incl \$ for affiliated services).....		XXX	XXX	XXX	XXX	0				0
4.6	Other expenses (incl \$ for affiliated services).....						0				0
4.7	Subtotal before reimbursements and taxes (4.1 to 4.6).....	0	0	0	0	0	0	0	0	0	0
4.8	Reimbursements by uninsured plans and fiscal intermediaries.....						0				0
4.9	Taxes, licenses and fees (in total, for tying purposes).....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		0
4.10	Total (4.7 to 4.9).....	0	0	0	0	0	0	0	0		0
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 2019 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		BUSINESS IN THE STATE OF		DURING THE YEAR			NAIC Company Code				
0570		Alabama		2019			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
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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	



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JIM L. RIDLING
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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



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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 or (334) 240-4424.

JLR/WR/bc

Attachment

Table 1

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

Table 2

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