

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

Part III Actuarial Memorandum and Certification

**Small Group Market
Effective January 1, 2022**

July 17, 2021

Table of Contents

Section	Section Description
1	General Information
2	Proposed Rate Changes
3	Experience and Current Period Premium, Claims, and Enrollment
4	Benefit Categories
5	Trend Factors
6	Morbidity and Other Adjustment
7	Demographic Shift
8	Plan Design Changes
9	Manual Rate Adjustments
10	Credibility of Experience
11	Establishing the Index Rate
12	Development of Market-Wide Adjusted Index Rate
13	Actuarial Value and Cost Sharing
14	Administrative Costs
15	Other Plan Level Adjustments
16	Plan Adjusted Index Rates
17	Calibration
18	Consumer Adjusted Premium Rate Development
19	Projected Loss Ratio
20	AV Metal Values
21	Membership Projections
22	Terminated Plans and Products
23	Plan Type
24	Reliance
25	Actuarial Certification
Appendix	AV Screenshots
Appendix	2020 Supplemental Health Care Exhibits
Appendix	Alabama DOI Bulletin No. 2013-04: Federal Premium Rate Reforms - Rating Areas
Appendix	Alabama DOI Bulletin No. 2014-03: Ala. Small Employer Allocation Program
Appendix	Alabama DOI Bulletin No. 2020-17: Age Curve Indiv & SG Hlth Ins Mkt

Blue Cross and Blue Shield of Alabama
Part III Actuarial Memorandum and Certification
Small Group Market
Effective January 1, 2022

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 "2022 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 2022.

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.

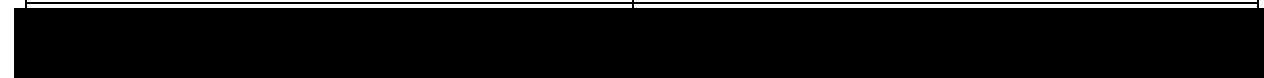
This memorandum generally follows the format outlined in the aforementioned HHS instructions.

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, 2022

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

In 2022, BCBSAL will continue to offer the six plans which were available in 2021.

Exhibit 2.1 shows the proposed average rate change by renewal quarter.

Exhibit 2.1: Rate Change by Renewal Date	
Renewal Quarter	Average Rate Change
Q1 2022	4.0%
Q2 2022	4.0%
Q3 2022	4.0%
Q4 2022	4.0%
Average Rate Change	4.0%

The average rate change proposed is 4.0%.

The Quarterly Trend Factor applied for 2022 is: (a) discussed in Section 18, (b) an annualized trend of ■■■, and (c) equal to the Quarterly Trend Factor used in the 2021 filing.

The main considerations for the proposed rate changes are:

- Projected medical inflation and increased utilization as indicated in Section 5: Trend Factors, and
- Increase to contribution to surplus and risk margin as indicated in Section 14: Administrative Costs.

Other factors affecting the proposed rates are:

- Favorable projected 2021 experience, and
- Lower projected morbidity of BCBSAL's small group block of business.

BCBSAL considered the following with regard to COVID-19:

- Deferred / Foregone Care: Vast majority of impact was limited to calendar year 2020,
- Pent up demand: Vast majority of impact was limited to calendar year 2020, and
- Additional cost of COVID-19 testing and treatment in 2020 was offset by deferred/foregone care in 2020.

In total, BCBSAL assumes minimal net impact of COVID-19 for calendar years 2021 and 2022.

Exhibit 2.2 provides the components of the average rate change.

While the 2022 premium rates were not developed using the method shown in Exhibit 2.2, this Exhibit is provided for illustrative purposes, and as a reasonableness check of the overall average rate change.

The components of the total required rate increase in Exhibit 2.2 are multiplicative rather than additive; unrounded values were used in the calculation.

Exhibit 2.2: Components of Rate Increase	
Components of Rate Increase	
Incurred Claims Trend (Includes Leveraging)	
Contribution to Surplus & Risk Margin	
Average Impact of Cost Sharing Changes	
2021 Experience	
Risk Adjustment Changes	
Required Premium increase in 2022 from 2021 Premiums	4.0%

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.

Overall average rate change is based on member weighted average using May 2021 enrollment.

Exhibit 2.3: Plan Level Rate Changes for 2022 by Renewal Quarter					
Plan	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Average Rate Change
Blue Choice Platinum for Business	3.9%	3.9%	3.9%	3.9%	3.9%
Blue Access Gold for Business	4.0%	4.0%	4.0%	4.0%	4.0%
Blue Secure Gold for Business	4.0%	4.0%	4.0%	4.0%	4.0%
Blue Secure Silver for Business	4.0%	4.0%	4.0%	4.0%	4.0%
Blue HSA Silver for Business	4.2%	4.2%	4.2%	4.2%	4.2%
Blue Saver Bronze for Business	3.8%	3.8%	3.8%	3.8%	3.8%
Average Rate Change	4.0%	4.0%	4.0%	4.0%	4.0%

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 2020 based on the claim incurred date

Paid Through Date

May 31, 2021

Current Date

Current enrollment and premium found in Section 2 of Worksheet 2 are reported as of May 31, 2021.

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 2017, 2018, and 2019 combined was 0.878 (taken from CMS MLR & Rebate Calculation filed 07/31/2020). The 2020 Small Group MLR taken from the 2020 Supplemental Health Care Exhibit – Part 1 was 0.916. Consequently, BCBSAL has assumed a 2020 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 four 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 and/or trend 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 \$138.

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 2020 with claims paid through May 31, 2021, 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 2020 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 2020. 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					
Benefit Category	In System	Out System	IBNP	Total	Completion Factor

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	2020 Claims incurred but not paid as of 05/31/2021 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 2020 Supplemental Health Care Exhibits of BCBSAL's 2020 Annual filing. The data in the Appendix do not equal the experience period data (year 2020) used in the URRT in the development of the 2022 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's cost and utilization projected trends by benefit category were developed by examining: (a) Experience Trends, (b) Provider Reimbursement Arrangements, (c) Utilization Patterns by Benefit Category, and (d) Pending Changes in Reimbursement and/or Utilization.

In addition, BCBSAL projects there will be no COVID-19 net impact during the effective period of the premium rates associated with this rate filing. Exhibit 6.1 provides the factor by which the non-recurring, net impact of COVID-19 was removed from the allowed claims of the calendar year 2020 experience period.

Consequently, the trends discussed in this section do not reflect any net-impacts associated with COVID-19.

Also, BCBSAL used actuarial judgment when considering changes in demographics, benefits, seasonality, and other one-time events.

Exhibit 5.1 shows the components of trend broken into Year 1 (2021) and Year 2 (2022).

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 8.1 shows the calculation of the Annualized Impact of Plan Mix Change of [REDACTED].

This two year annualized average will have a constant impact during 2021 and 2022.

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 [REDACTED] from Exhibit 8.1 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	
	[REDACTED]
Benefit Category	
Inpatient	
Outpatient	
Professional	
Other Medical	
Capitation	
Prescription Drug	
Composite Trend	

Section 6: Morbidity and Other Adjustment

Morbidity Adjustment

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Other Adjustment

Exhibit 6.1 indicates a factor of [REDACTED] is needed as the “Other” adjustment in Section II of Worksheet 1 of the URRT in the development of Section II’s: Adjusted Trended EHB Allowed Claims PMPM.

This [REDACTED] removes the non-recurring [REDACTED] net impact from calendar year 2020 experience period, and was developed using: (1) historical seasonality, and (2) actuarial judgment to estimate the difference between the historical seasonality, and that of calendar year 2020.

A separate factor was developed for each of the six benefit categories listed in Section II of Worksheet 1 of the URRT; these six factors are shown in the column, “Other, Factor Adjustment: COVID” of Exhibit 6.1.

The [REDACTED] composite factor is the weighted average of the “Other, Factor Adjustment: COVID” factors with “Trended EHB Allowed Claims, PMPM” of Worksheet 1 of the URRT as weights.

Exhibit 6.1: Other Factor Adjustment	
Benefit Category	[REDACTED]
Inpatient Hospital	
Outpatient Hospital	
Professional	
Other Medical	
Capitation	
Prescription Drug	
Total	

Section 7: Demographic Shift

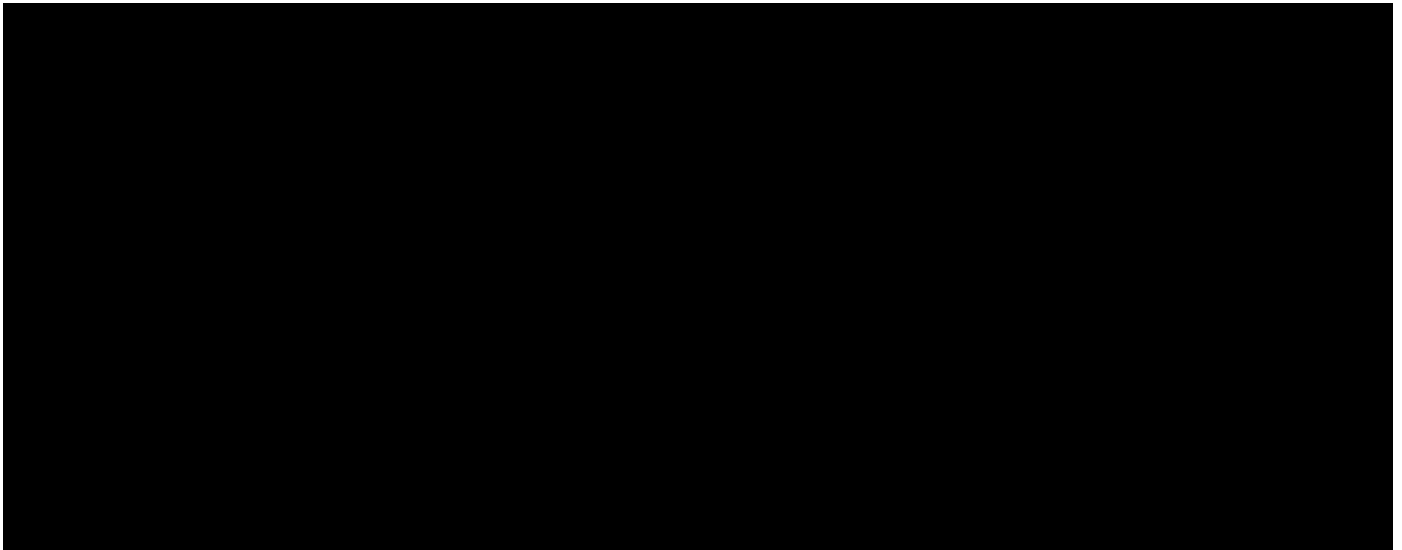
Demographic changes were estimated using:

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

Area Factor Adjustment

Rating areas are the geographic rating areas listed in State of Alabama Department of Insurance Bulletin No. 2013-04 which is included in the Appendix of this Actuarial Memorandum.

Small Group rating areas are established using group policyholder's principal business address.



- Reflected only delivery cost differences by normalizing the claim data for differences in population morbidity using concurrent DxCG risk scores,
- Normalized the data further for:
 - 1) Plan mix, and
 - 2) Large claimants, and
- Considered:
 - 1) Geographic proximity of rating areas,
 - 2) Data consistency data across the four years, and
 - 3) Rate impact for renewing policies from changing the area factors.

Exhibit 7.1 shows the development of the Average Area Factor for the:

- Experience Period of [REDACTED] as the dot product of:
 - 1) 2020 Actual Enrollment Distribution, and
 - 2) Area Factors.
- Projection Period of [REDACTED] as the dot product of:
 - 1) 2022 Projected Enrollment Distribution which is the actual May 2021 enrollment distribution, and
 - 2) Area factors.

Exhibit 7.1: Area Factor Adjustment				
MSA	Rating Area	Area Factors	2020 Actual Enrollment Distribution	2022 Projected 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 State of Alabama Department of Insurance Bulletin No. 2020-17 to calculate the Average Age Factor for the:
 - 1) Experience Period, and
 - 2) Projection Period.

- The Average Age Factor for the Experience Period is shown as the “2020 Experience Period Average Age Factor” of [REDACTED] in Exhibit 7.3, and was calculated by developing the average age factor during calendar year 2020.
- The Average Age Factor for the Projection Period is shown as the “2022 Projection Period Average Age Factor” of [REDACTED] in Exhibit 7.3, and was calculated by:
 - 1) Developing the “Assumed Monthly Change” as the member weighted monthly change in the “Average Age Factor” for 2020 of [REDACTED] shown in Exhibit 7.2,
 - 2) Applying the “Assumed Monthly Change” to the May 2021 “Average Age Factor” of [REDACTED] shown in Exhibit 7.2 to project the monthly “Average Age Factor” beginning with Jun-2021 and ending with Dec-2022 as shown in Exhibit 7.3, and
 - 3) Calculating the “2022 Projection Period Average Age Factor” as the member weighted “Average Age Factor” for 2022 as shown as [REDACTED] in Exhibit 7.3.

Exhibit 7.2: Historical Average Age Factor Change Analysis				
Month	Data Type	Total Members	Average Age Factor	Monthly Change
[REDACTED]				

Exhibit 7.3: Projected Average Age Factor Changes				
Month	Data Type	Total Members	Average Age Factor	Monthly Change

Tobacco Factor Adjustment

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

Demographic Shift

Exhibit 7.4 shows the calculation of the total demographic shift factor.

Exhibit 7.4: Demographic Shift

Section 8: Plan Design Changes

The experience period, which is calendar year 2020, includes policy years that began in 2019 and 2020 as Small Group policies begin 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 2019 and 2020 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,
- (2) Reflect changes in regulations, and/or
- (3) 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.

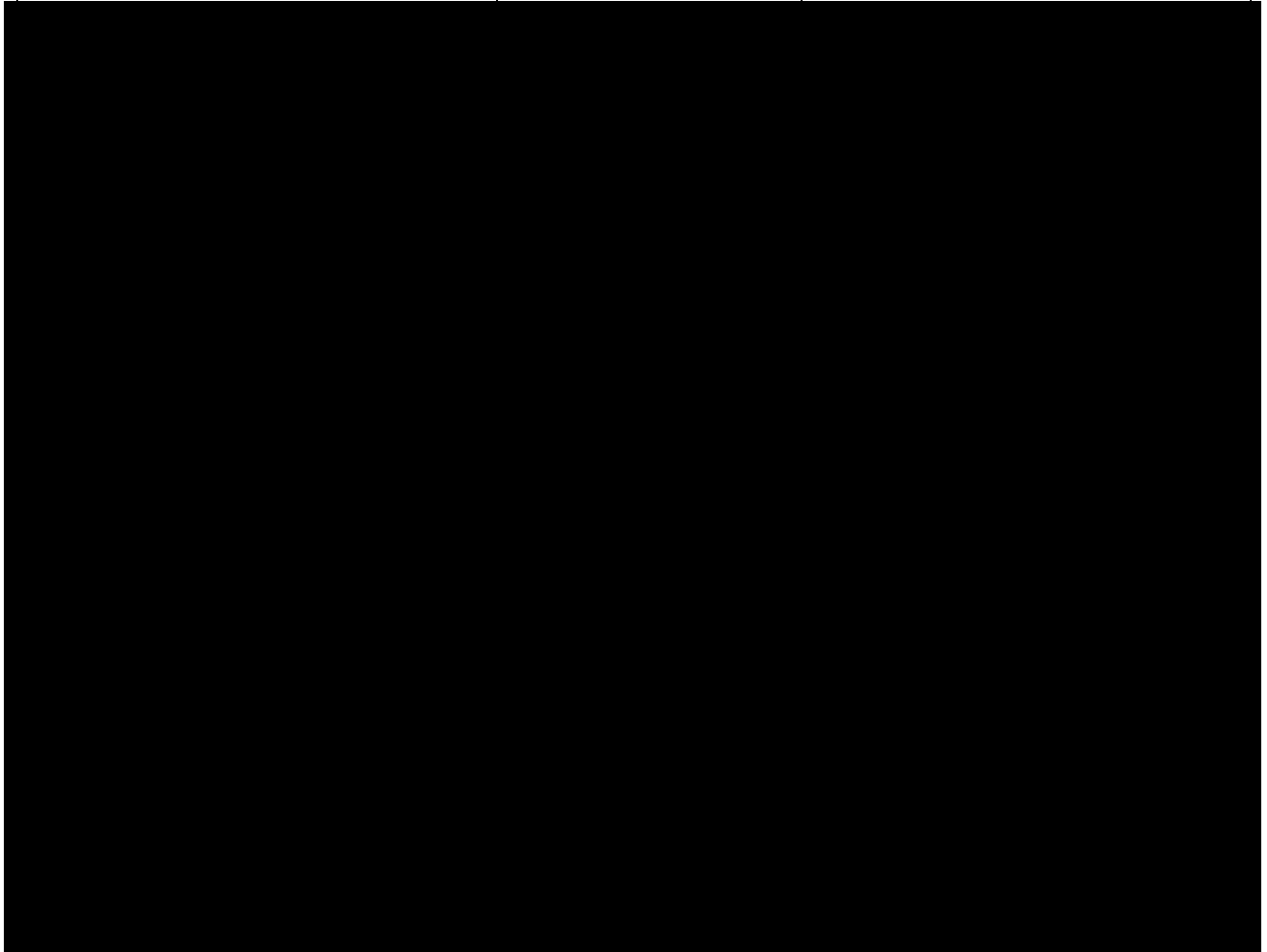
More specifically, the Milliman Managed Care Rating Model was used to model benefits for policy years that began in 2019 and 2020 (proportionately during the experience period) and policy years beginning in 2022 (projection period).

The differences between the Modeled Allowed Relativities of the (1) Experience Period, and (2) Projection Period shown in Exhibit 8.1 as "Impact of Plan Design Changes" are due only to changes in cost sharing and/or changes in drug formularies.

From Exhibit 8.1, the "Impact of Plan Design Changes" is shown as the factor 0.999.

From Exhibit 8.1, the "Annualized Impact of Plan Mix Change" which is referenced in Section 5 of this Actuarial Memorandum is shown as the factor [REDACTED].

Exhibit 8.1: Impact of Plan Design and Plan Mix Change from Experience Period to Projection Period



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 2020.

This assignment of full credibility “without using a rigorous mathematical model” is consistent relative to Actuarial Standards of Practice #25, specifically section 3.4, “Professional Judgment,” which states, “...in some situations, an acceptable procedure for blending the subject experience with the relevant experience may be based on the actuary assigning full, partial, or zero credibility to the subject experience without using a rigorous mathematical model.”

Section 11: Establishing the Index Rate

Information contained in this section 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 2020 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 = A / C
Benefit Category	Allowed Claims	Utilization	Member Months	Utilization Per 1000	Cost Per 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
- The non-EHB claims not covered during the experience period are Medical Nutrition Therapy Services which were 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 12 months each, covering the 24 months from mid-point of the experience period to mid-point of the projection period.
- For example, Trended EHB Allowed Claims PMPM for Outpatient is calculated as follows:

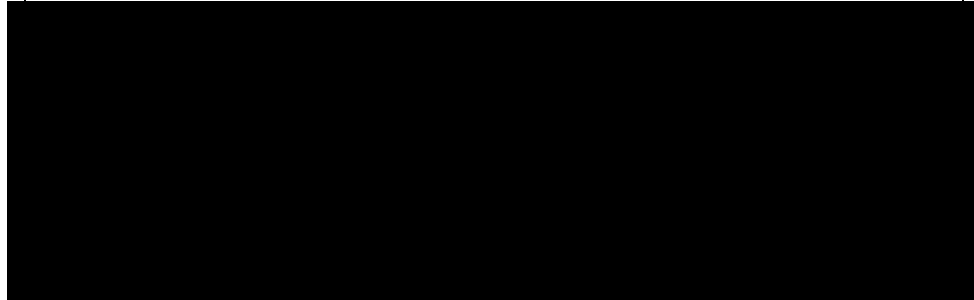
[REDACTED]

- Note the development of the [REDACTED] results when viewing the factor of [REDACTED] for Year 1 and Year 2 Utilization Trends to further decimals as this factor extends in the actual calculation to [REDACTED].

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

- Morbidity Adjustment: Section 6: Morbidity and Other Adjustment,
- Demographic Shift: Section 7: Demographic Shift, Exhibit 7.4,
- Impact of Plan Design Changes: Section 8: Plan Design Changes, Exhibit 8.1, and
- Other: Section 6: Morbidity and Other Adjustment, Exhibit 6.1;

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.

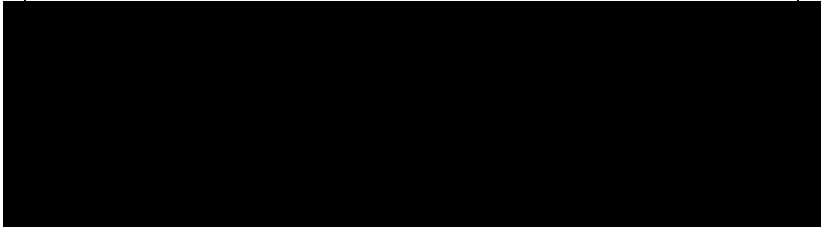
The Trended EHB Allowed Claims PMPM in Exhibit 11.2 and the Projection Period Index Rate in Exhibit 11.3 may not match exactly to the Trended EHB Allowed Claims PMPM and the Projected Index Rate in the URRT due to URRT rounding requirements.

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

Section 12: Development of Market-Wide Adjusted Index Rate

The Market-Wide 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



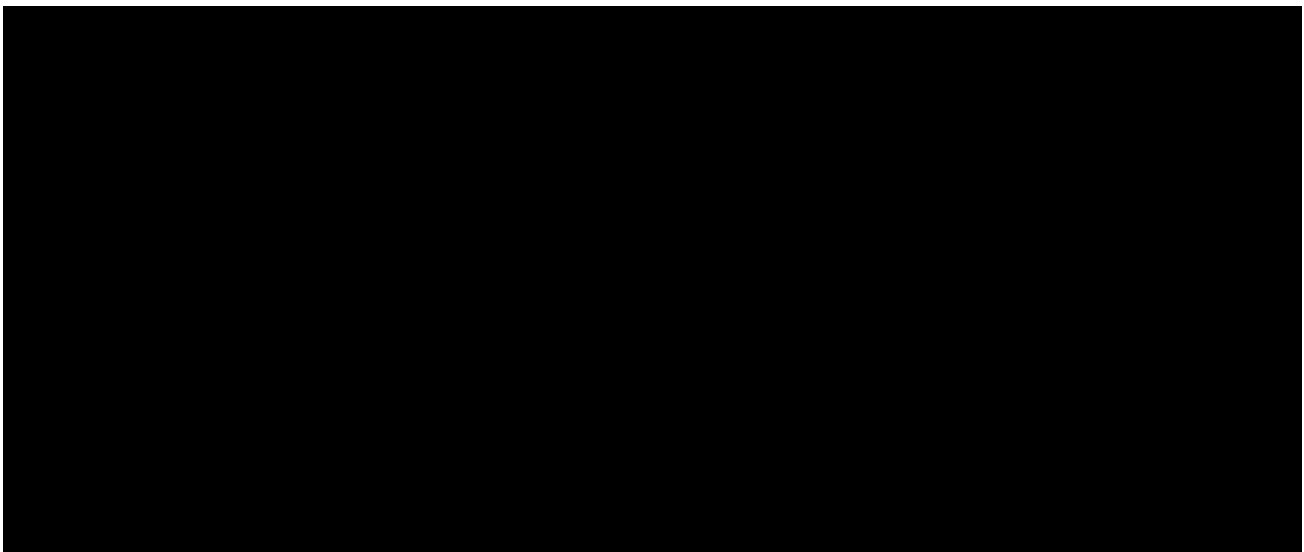
Experience Period Risk Adjustment

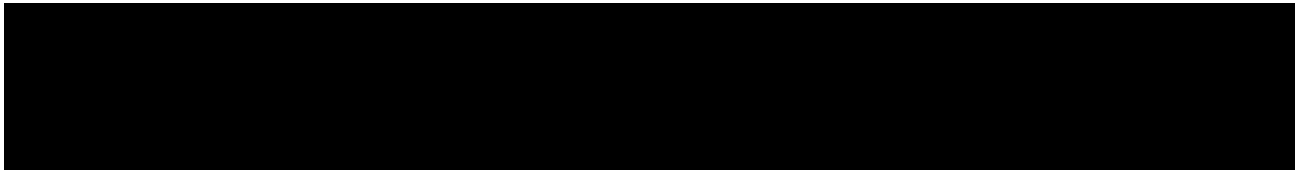
The risk adjustment transfer for the 2020 BCBSAL Small Group Market is listed in Exhibit 12.2. As published by CMS on 06/30/2021, this is the amount BCBSAL will pay for 2020 net of High-Cost Risk Pool payments and charges.

Exhibit 12.2: 2020 Risk Adjustment Transfer

Member Months	Transfer Payment	Transfer on A PMPM Basis
	(\$2,018,739)	

Projected Risk Adjustments PMPM





Exchange User Fee

Since issuers are not required to pay user fees for SHOP enrollment in 2022, 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).

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

Using the "Modeled 2022 Paid to Allowed Ratio" from Exhibit 13.4 to develop the Plan Adjusted Index Rates in Exhibit 16.1 removes any variation in health status across plans that would otherwise be reflected in the Plan Adjusted Index Rates.

²Projected 2022 Paid to Allowed Ratios are developed in exhibit 13.2.

Exhibit 13.2 shows the Projected 2022 Paid to Allowed Ratios shown in Exhibit 13.1.

The COVID Paid to Allowed Adjustment Factor (column B) removes the non-recurring COVID-19 net impact from the 2020 (Actual) Paid to Allowed Ratio (column A), and was developed using: (1) historical seasonality, and (2) actuarial judgment to estimate the difference between the historical seasonality, and that of calendar year 2020.

The Increase Due to Leveraging (column C) and the Impact of Cost Sharing Changes (column D) 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 2022 Paid to Allowed Ratio" (Exhibit 13.2, Column E) 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]			

Projected 2022 Allowed PMPMs by Plan

Exhibit 13.3 shows the Projected 2022 Allowed PMPM shown in column B of Exhibit 13.1.

Exhibit 13.3: Projected 2022 Allowed PMPMs by Plan						
	A	B	C	D	E	$F = A \times B \times C \times D \times E$
Plan Name	2020 (Actual) Allowed PMPM	COVID Allowed Adjustment Factor	Trend Factor	Impact of Cost Sharing Changes	Impact of Changes in Morbidity	Projected 2022 Allowed PMPM
[REDACTED]						

The COVID Allowed Adjustment Factor (column B) removes the non-recurring COVID-19 net impact from the 2020 (Actual) Allowed PMPM (column A), and was developed using: (1) historical seasonality, and (2) actuarial judgment to estimate the difference between the historical seasonality, and that of calendar year 2020.

This COVID Allowed Adjustment Factor of [REDACTED] differs slightly from the “Other Factor Adjustment: COVID” of [REDACTED] shown in Exhibit 6.1 as the value in:

- (a) Exhibit 13.3 uses the “Total” column from Exhibit 3.2 as weights, and
- (b) Exhibit 6.1 uses the “Trended EHB Allowed Claims PMPM” from Section II of Worksheet 1 of the URRT.

This slightly different weighting used in the development of the two factors is appropriate as the application of each factor serves a slightly different purpose.

The Trend Factor (column C) applies two years of the composite trend developed in Section 5 in Exhibit 5.1.

The Impact of Cost Sharing Changes (column D) was derived from the Milliman Managed Care Rating Model, which was calibrated to BCBSAL’s Small Group experience.

The Impact of Changes in Morbidity (column E) is discussed in “Section 6: Morbidity and Other Adjustment” of this Actuarial Memorandum.

Due to a lack of credible membership, the “Projected 2022 Allowed PMPM” (Exhibit 13.3, Column F) 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 2022 Paid to Allowed Adjustment Factors are shown in column C of Exhibit 13.4.

These values were developed by first calculating the Modeled 2022 Paid to Allowed Ratio for each plan in column A of Exhibit 13.4.

A total Modeled 2022 Paid to Allowed Ratio across all plans of [REDACTED] was developed as the weighted average using the product of Projected 2022 Member Months (column A of Exhibit 13.1) and 2022 Induced Utilization Adjustment Factors (column C of Exhibit 16.1) as weights.

The 2022 Paid to Allowed Adjustment Factors in column C of Exhibit 13.4 were developed by normalizing the Modeled 2022 Paid to Allowed Ratios in column A of Exhibit 13.4 to the 2022

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: 2022 Paid to Allowed Adjustment Factors			
	A	B	C = A x 0.839 / 0.869
Plan Name	Modeled 2022 Paid to Allowed Ratio	2022 Projected Total Paid to Allowed Ratio	2022 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 2022 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 2022.

Assumptions for 2021 are listed for reference only.

Exhibit 14.1: Components of Total URRT Retention		
Component	Retention Factors	
	2021	2022
Administrative Expenses	[REDACTED]	
Contribution to Surplus & Risk Margin		
Taxes and Fees (from Exhibit 14.2)		
Total URRT Retention		

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

Exhibit 14.2 shows the taxes and fees components for 2022. The taxes and fees components for 2021 are listed for reference only.

Exhibit 14.2: Components of Taxes and Fees		
Component	Retention Factors	
	2021	2022
State Premium Tax	0.508%	0.504%
Risk Adjustment User Fee		
Patient-Centered Outcomes Research Institute (PCORI) Fee		
Total Taxes and Fees		

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

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

- State Premium Tax 0.504%

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

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

- Risk Adjustment User Fee

The HHS Notice of Benefit and Payment Parameters for 2022 established the 2022 risk adjustment user fee at \$3.00 PMPY or \$0.25 PMPM. This converts to approximately of BCBSAL's 2022 projected Small Group ACA premium.

- Patient-Centered Outcomes Research Institute (PCORI) Fee

The IRS indicated, via IRS Notice 2020-84, a PCORI Fee of \$2.66 PMPY for plan years ending on or after 10/01/2020 and before 10/01/2021. By applying assumed growth, a projected PCORI Fee of was developed for plan years ending on or after 10/01/2022 and before 10/01/2023. Similarly, a projected PCORI Fee of was developed for plan years ending on or after 10/01/2023 and before 10/01/2024. With these PMPY assumptions, and projected Small Group membership by renewal month in 2022, a PMPY of was assumed in the development of premium rates for Small Group policy years beginning in 2022 which is approximately of BCBSAL's 2022 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 2022:

- 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 factors for Adult Vision, and Bariatric Surgery were developed by expressing the 2020 allowed claim PMPM for these non-EHBs as a percent of the 2020 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 is projected to be [REDACTED].

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 [REDACTED].

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
[REDACTED]	

Section 16: Plan Adjusted Index Rates

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

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

Exhibit 16.1 provides details for the plan-specific Plan Adjusted Index Rate calculations. Unrounded values were used to calculate the Plan Adjusted Index Rates. The Plan Adjusted Index Rates in Exhibit 16.1 may not match exactly to the Plan Adjusted Index Rates in the URRT due to URRT rounding requirements.

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

Section 17: Calibration

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

Age Calibration:

The Plan Adjusted Index Rates were calibrated using the 2022 Projection Period Average Age Calibration Factor (using the age curve described in the State of Alabama Department of Insurance Bulletin No. 2020-17 which is included in the Appendix of this Actuarial Memorandum) of [REDACTED] shown in Exhibit 17.2.

This [REDACTED] differs from the 2022 Projection Period Average Age Factor of [REDACTED] shown in Exhibit 7.3, 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 7.2 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 7.3 of Section 7 to calculate the monthly Projected Adjusted Avg. Age Factors shown in Exhibit 17.2.

The 2022 Projection Period Average Age Calibration Factor of [REDACTED] was developed in Exhibit 17.2 as the member weighted average of the monthly 2022 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

Area Calibration:

The Plan Adjusted Index Rates were also calibrated using the 2022 Projection Period Average Area Factor of [REDACTED]

The development of the 2022 Projection Period Average Area Factor of [REDACTED] is shown in Exhibit 7.1 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 2022 Projection Period Average Age Calibration Factor; Exhibit 17.2), and
- Area Calibration Factor (referred to earlier as the 2022 Projection Period Average Area Factor; Exhibit 7.1).

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 are shown in Exhibit 17.3.

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 2022.

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 Quarterly 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: Premium Quarterly Trend Rate	
Issue/Renewal Quarter	Quarterly Trend Factor
1st Quarter 2022	
2nd Quarter 2022	
3rd Quarter 2022	
4th Quarter 2022	

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 2022 renewal

Blue Choice Platinum for Business Calibrated Plan Adjusted Index Rate
x Huntsville MSA factor
x 40 year-old age factor
x Quarterly 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.

The rating area is based on the group policyholder's principal business address.

Rating 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 used the age curve of the State of Alabama Department of Insurance Bulletin No. 2020-17, attached in the Appendix of this memorandum.

Exhibit 18.3 shows the Age Premium Factors.

Exhibit 18.3: Age Premium Factors				
Age	Factor		Age	Factor
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			

Tobacco Premium Factors:

BCBSAL does rate for tobacco use in the Small Group Market.

Family Premiums

Family premiums will equal the sum of individual Consumer Adjusted Premium Rates calculated using the appropriate Calibrated Plan Adjusted Index Rate 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 regard to composite rating in the Small Group Market, BCBSAL will 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, attached in the Appendix of this memorandum, allows for the use of Family Composite Premiums as defined by the following four tiers:

- (1) Employee Only,
- (2) Employee + Spouse,
- (3) Employee + Children, and
- (4) Employee + Family.

Section 19: Projected Loss Ratio

The projected ACA loss ratio for BCBSAL's 2022 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 2022 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 Result	

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 Calculator ¹	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, 2022 Actuarial Certification of Actuarial Values, Small Group and Individual Markets”

Section 21: Membership Projections

Exhibit 21.1: 2022 Member Month Projections	
Plan	Total

BCBSAL's projected Small Group member months shown in Exhibit 21.1 were developed by applying projected monthly net changes to actual 05/2021 enrollment.

More specifically, projected monthly net changes assume [REDACTED] in membership equal to:

- (1) [REDACTED] of members renewing during renewal months from [REDACTED] to [REDACTED], and
- (2) [REDACTED] of members renewing during the renewal months from [REDACTED] to [REDACTED].

These projected net decreases in membership assume some Small Group insureds migrate to the Individual Market upon renewal due to the expansion of premium subsidies in the Individual Market through 2022 by the American Rescue Plan which was signed into law on March 11, 2021.

The projected membership mix across plans is assumed to be constant relative to the 05/2021 plan mix.

Section 22: Terminated Plans and Products

The instructions for the Actuarial Memorandum define terminated plans and products as:

- 1) Having terminated prior to the effective date of the filing, and
- 2) Having:
 - a. Either experience included in the single risk pool during the experience period,
 - b. Or not being in effect during the experience period, but made available thereafter.

Given the aforementioned definition of terminated plans and products, BCBSAL has no such plans or products associated with this filing.

Section 23: Plan Type

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

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

Section 24: Reliance

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

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- State of Alabama Bulletins Nos. 2013-04, 2014-03, and 2020-17 regarding geographic rating areas, composite premiums, and age curve respectively.
- HHS Notice of Benefit and Payment Parameters for 2022.
- IRS Notice 2020-84 for PCORI Fee.

Section 25: Actuarial Certification

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

- (1) The projected Index Rate is:
 - a) In compliance with all applicable State and Federal Statutes and Regulations 45 CFR §156.80 and §147.102,
 - b) Developed in compliance with 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 and dated June 14, 2021, with the corresponding QHP form filing and required by 45 CFR §156.135 provides the necessary documentation and signature.

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

BCBSAL used the age rating curve established in the State of Alabama Department of Insurance Bulletin No. 2020-17.

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

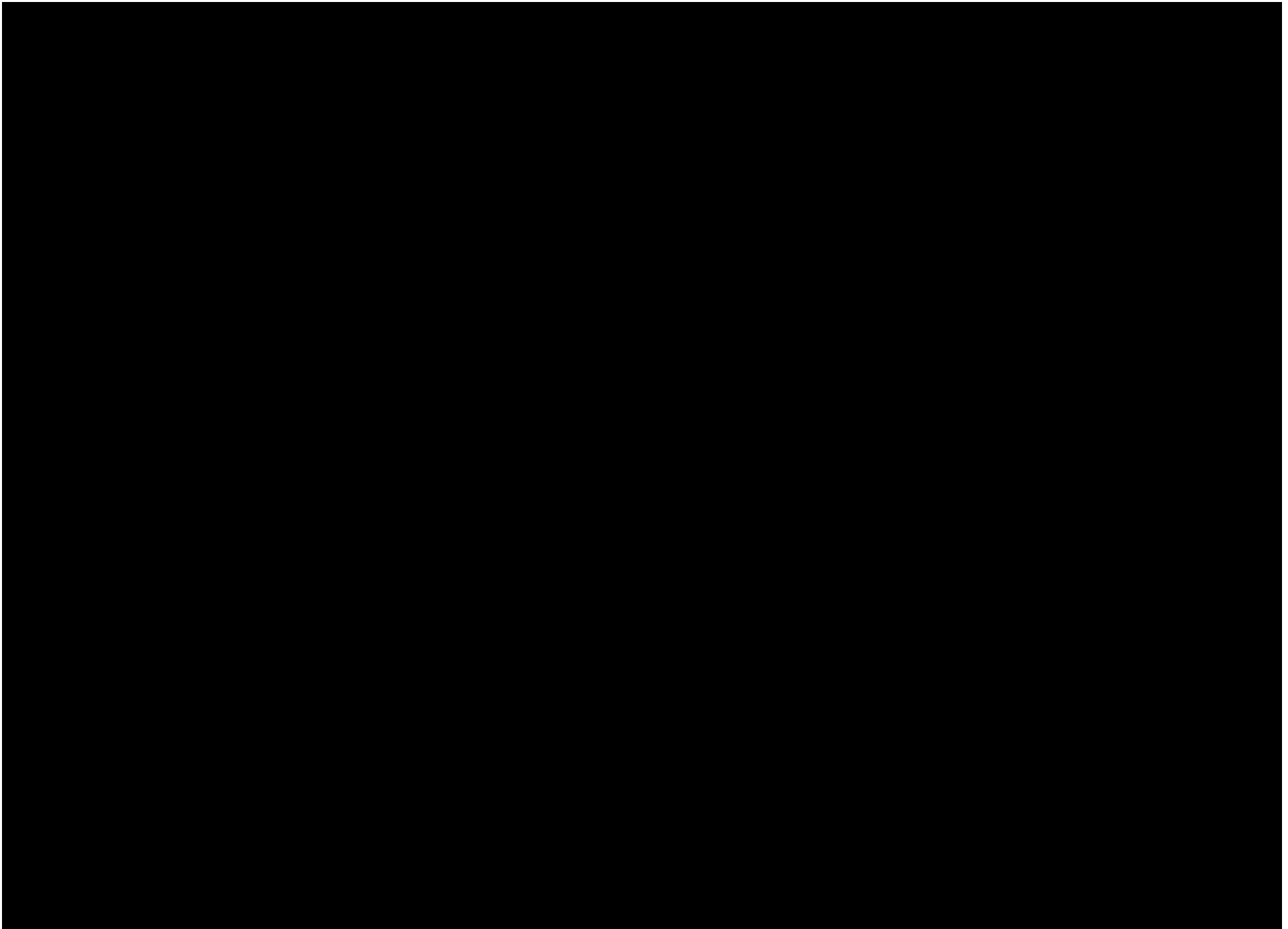
All analyses were either completed by me, or were performed under my direction and review.

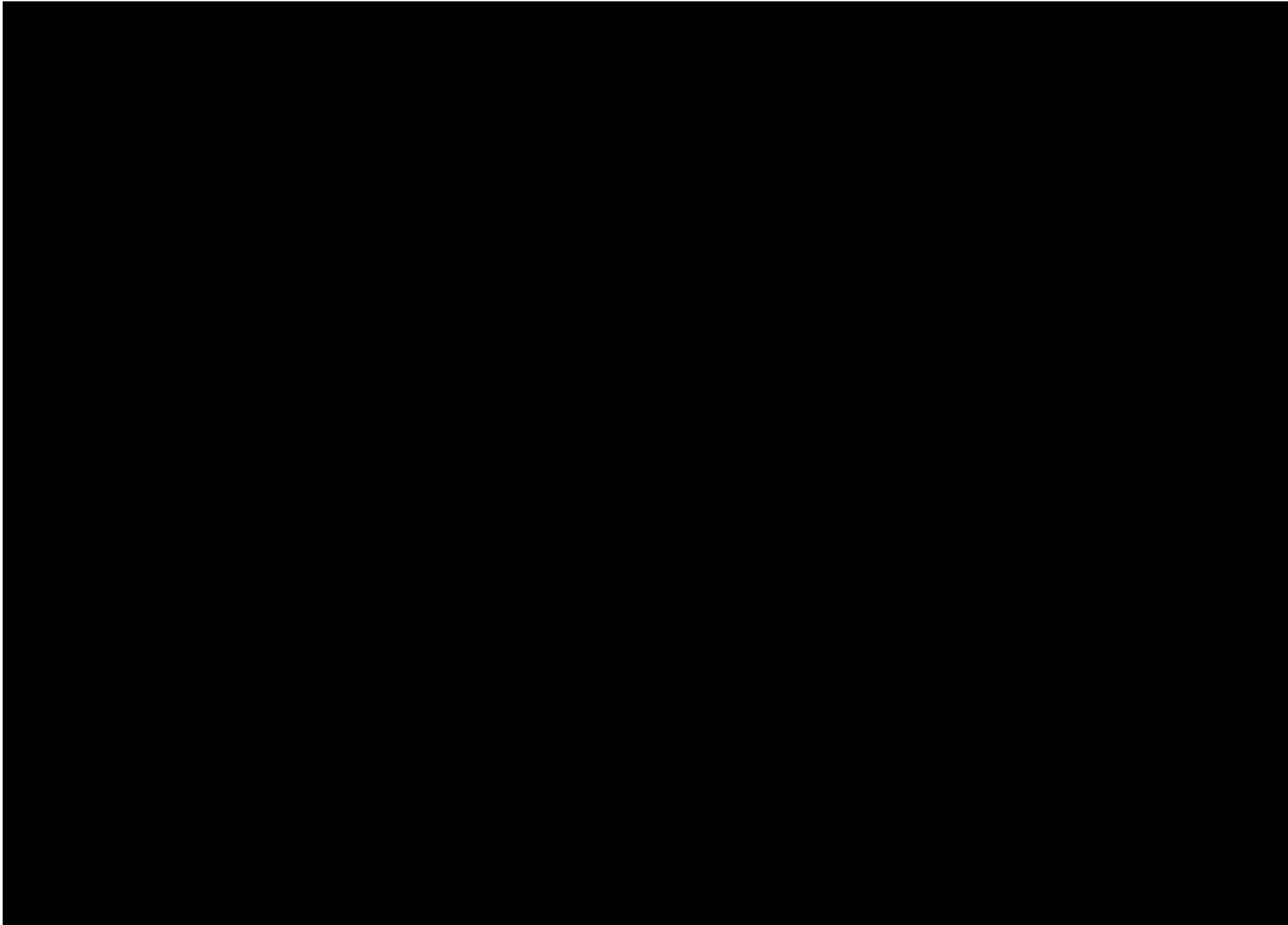
Signed,

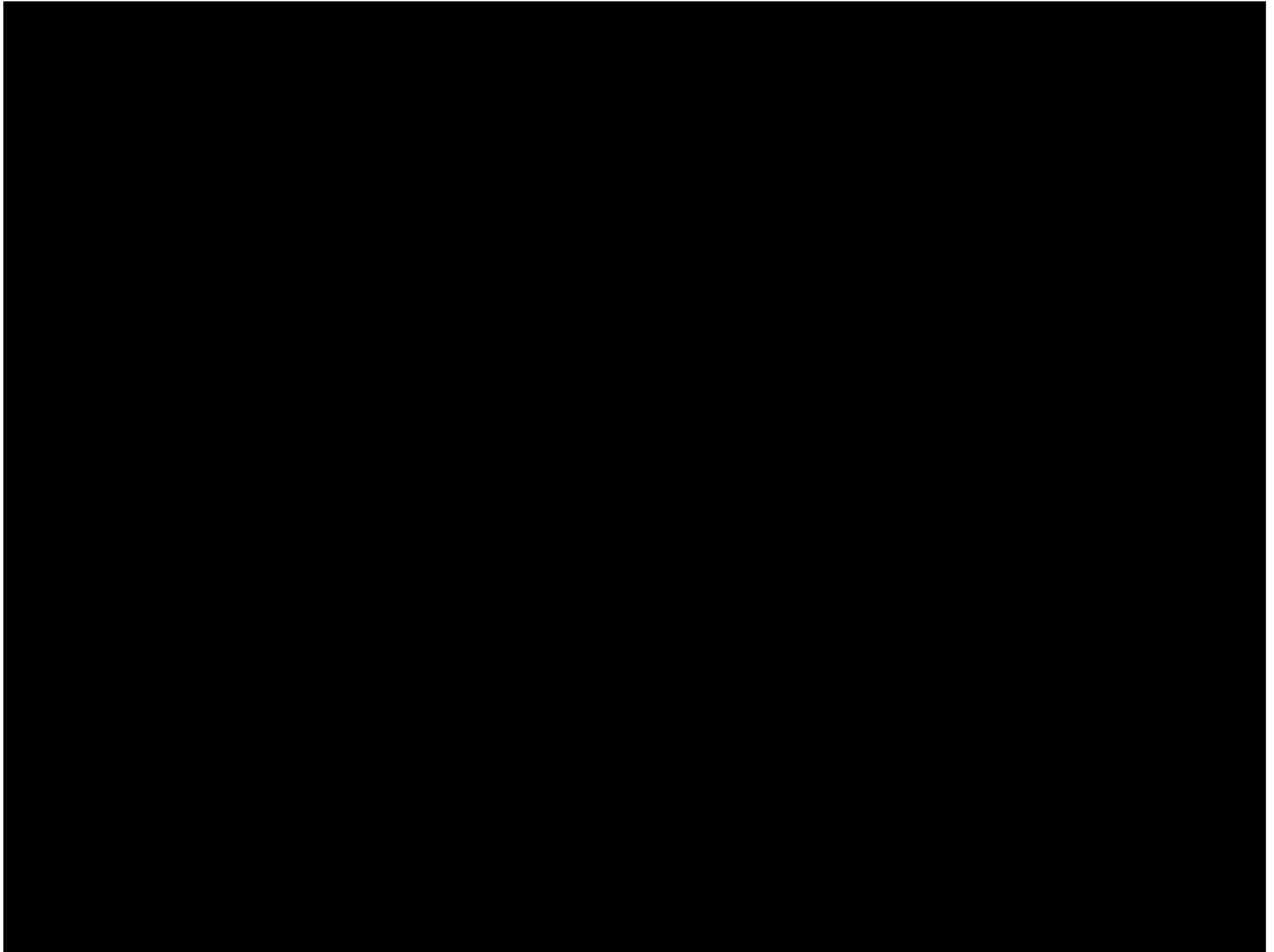


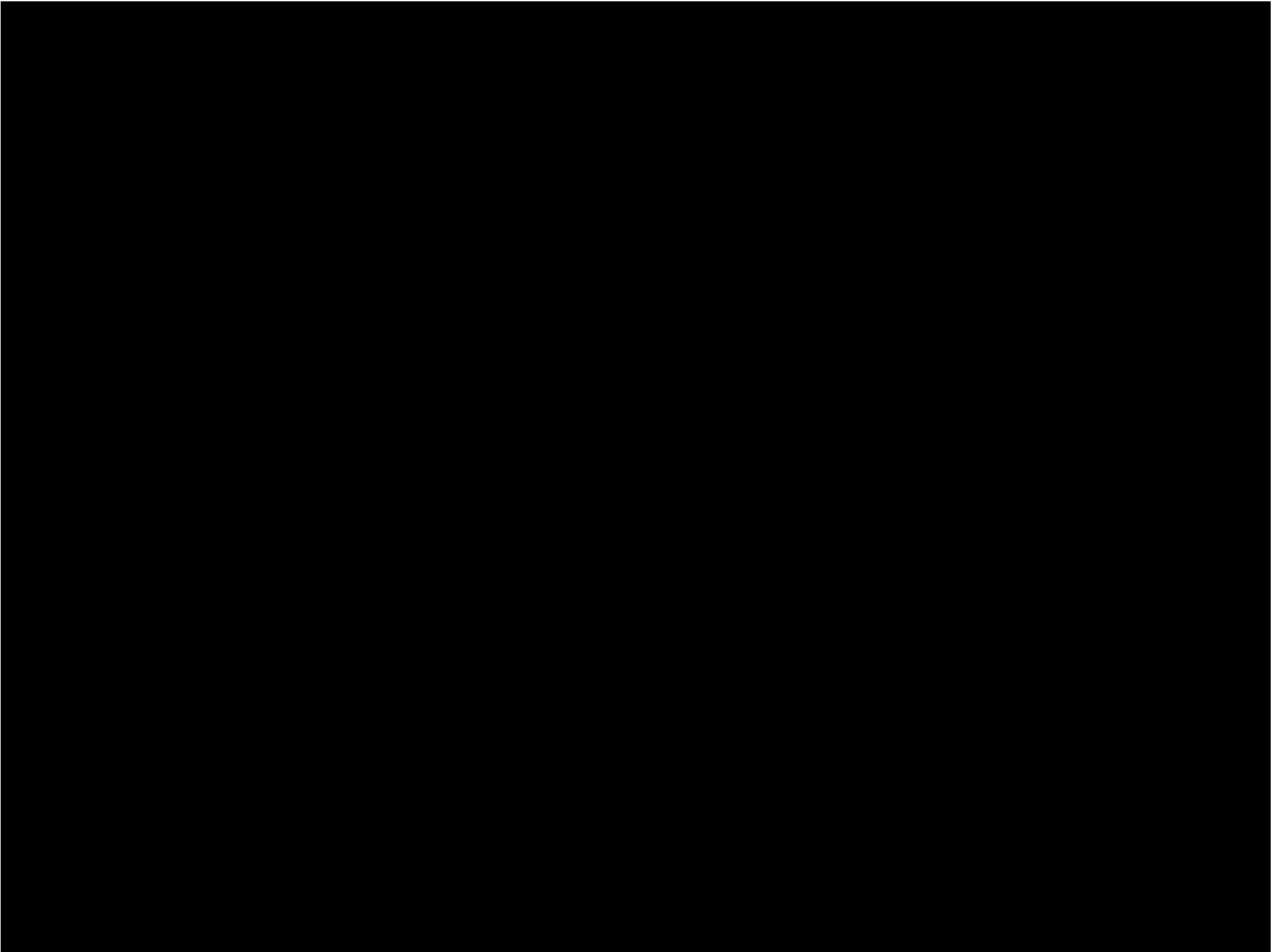
Cameron Daniel, FSA, MAAA
Manager Actuarial Services
Blue Cross and Blue Shield of Alabama

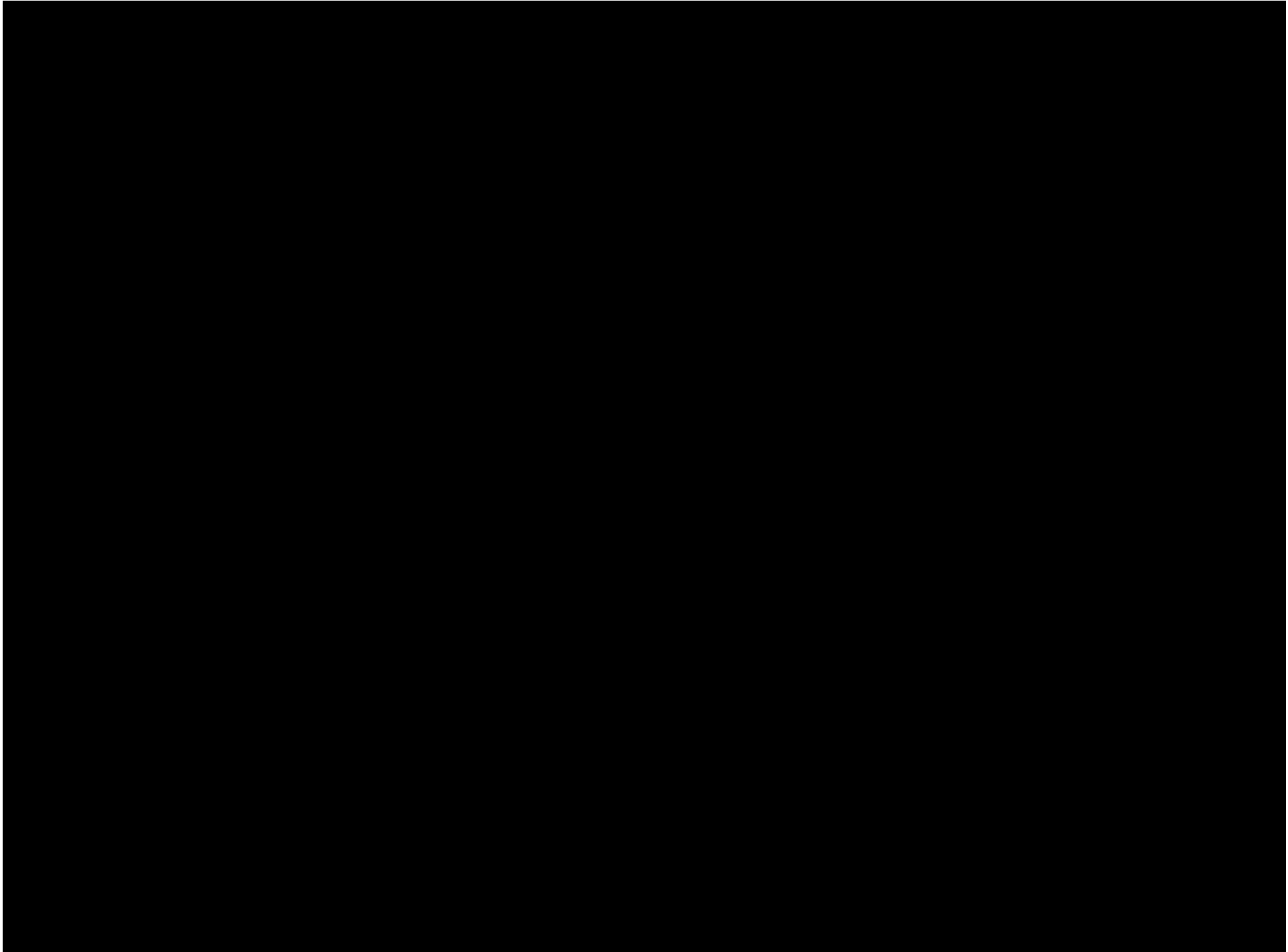
Appendix

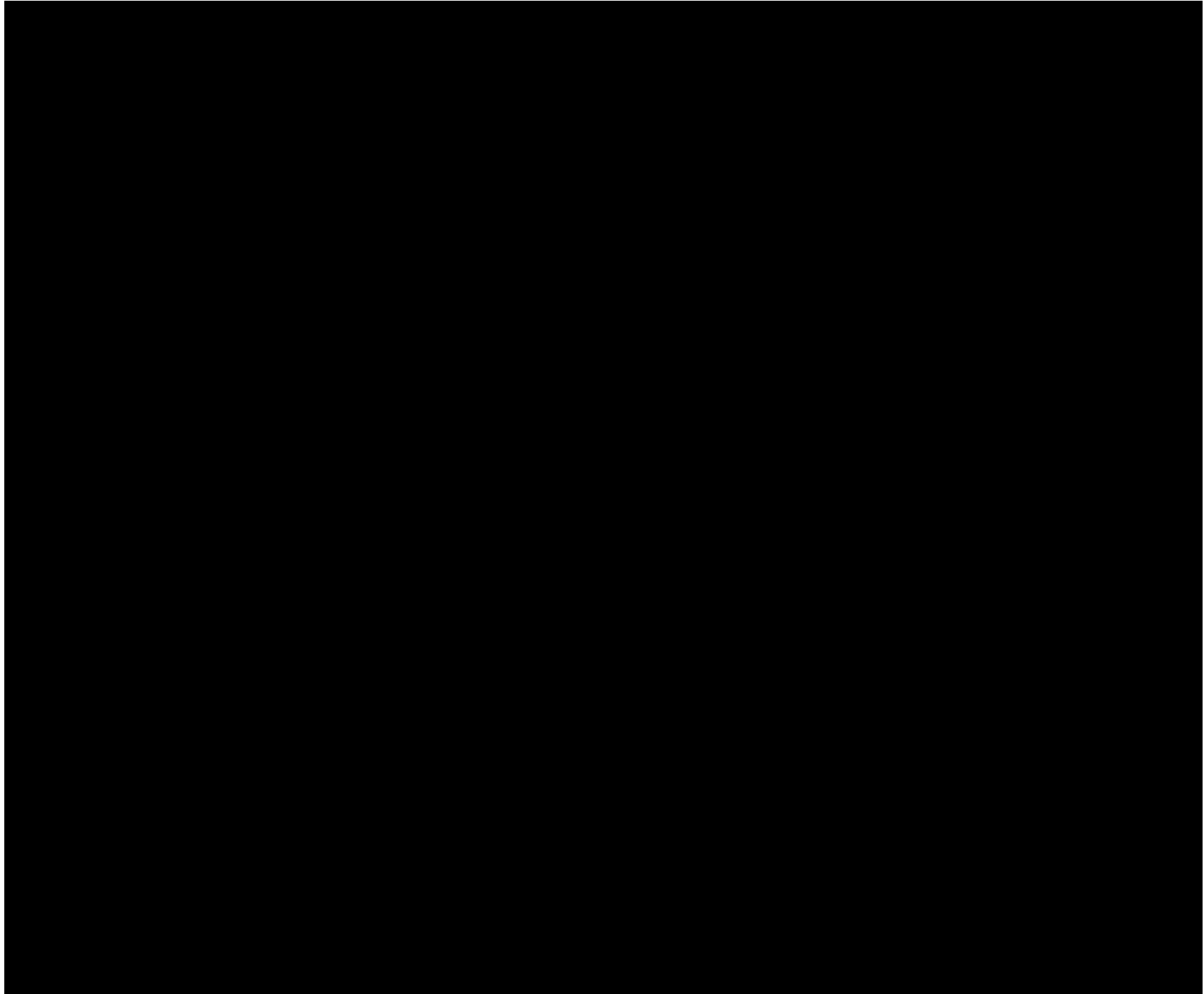














SUPPLEMENT FOR THE YEAR 2020 OF THE Blue Cross and Blue Shield of Alabama

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 2020				NAIC Company Code 55433							
		Comprehensive Health Coverage			Business Subject to MLR			Expatriate Plans		9	10	11	12	13	14	15	
		Mini-Med Plans															
		1	2	3	4	5	6	7	8								
		Individual	Small Group Employer	Large Group Employer	Individual	Small Group Employer	Large Group Employer	Small Group	Large Group	Student Health Plans	Government Business (excluded by statute)	Other Health Business	Medicare Advantage Part C and Medicare Part D Stand-Alone Subject to ACA	Subtotal (Cols 1 thru 12)	Uninsured Plans	Total (13 + 14)	
1.	Premium:																
1.1	Health premiums earned (From Part 2, Line 1.11).....	1,378,567,291	1,004,250,613	2,791,048,632	0	0	0	0	0	1,014,879	0	387,989,608	912,218,810	6,475,089,833	XXX	6,475,089,833	
1.2	Federal high risk pools.....													0	XXX	0	
1.3	State high risk pools.....													0	XXX	0	
1.4	Premiums earned including state and federal high risk programs (Lines 1.1 + 1.2 + 1.3).....	1,378,567,291	1,004,250,613	2,791,048,632	0	0	0	0	0	1,014,879	0	387,989,608	912,218,810	6,475,089,833	XXX	6,475,089,833	
1.5	Federal taxes and federal assessments.....	118,586,500	43,951,475	59,805,400						40,657		13,285,632	26,406,802	262,076,466	(11,904,426)	250,172,040	
1.6	State insurance, premium and other taxes (Similar local taxes of \$)	20,943,859	5,010,991	28,077,921						15,452		2,154,396	419,708	56,622,327	3,386,583	60,008,910	
	1.6a Community Benefit Expenditures (informational only).....	0	0	0						0		0	0	0	0	0	
1.7	Regulatory authority licenses and fees.....	1,030	972	1,912						1		547	198	4,660	7,238	11,898	
1.8	Adjusted premiums earned (Lines 1.4 – 1.5 – 1.6 – 1.7).....	1,239,035,902	955,287,175	2,703,163,399	0	0	0	0	0	958,769	0	372,549,033	885,392,102	6,156,386,380	XXX	6,164,896,985	
1.9	Net assumed less ceded reinsurance premiums earned.....	(532,254)	(575,262)	(1,194,342)	0	0	0	0	0	0	0	(7,366,823)	0	(9,668,681)	XXX	(9,668,681)	
1.10	Other adjustments due to MLR calculations – Premiums.....	808,606	2,785,199	(19,838,787)								7,246,064	1,200,201	(7,798,717)	XXX	(7,798,717)	
1.11	Risk revenue.....									0		0	0	0	XXX	0	
1.12	Net adjusted premiums earned after reinsurance (Lines 1.8 + 1.9 + 1.10 + 1.11)	1,239,312,254	957,497,112	2,682,130,270	0	0	0	0	0	958,769	0	372,428,274	886,592,303	6,138,918,982	XXX	6,147,429,587	
2.	Claims:																
2.1	Incurred claims excluding prescription drugs.....	711,986,747	638,525,859	1,924,819,889						560,179		305,670,031	684,213,313	4,265,776,018	XXX	4,265,776,018	
2.2	Prescription drugs.....	424,730,208	303,656,128	796,894,386						65,521		2,527,264	164,443,420	1,692,316,927	XXX	1,692,316,927	
2.3	Pharmaceutical rebates.....	74,768,270	75,107,423	113,263,054								2,030,454	66,532,964	331,702,165	XXX	331,702,165	
2.4	State stop loss, market stabilization and claim/census based assessments (informational only)											0	0	0	XXX	0	
3.	Incurred medical incentive pools and bonuses	0	0	0	0	0	0	0	0	0	0	0	4,648,635	4,648,635	XXX	4,648,635	
4.	Deductible Fraud and Abuse Detection/Recovery Expenses (for MLR use only)	69,825	124,936	128,884						0		27,703	9,299	360,647	1,054,516	1,415,163	
5.0	Total incurred claims (Lines 2.1 + 2.2 – 2.3 + 3) (From Part 2, Line 2.15).....	1,061,948,685	867,074,564	2,608,451,221	0	0	0	0	0	625,700	0	306,166,841	786,772,404	5,631,039,415	XXX	5,631,039,413	
5.1	Net assumed less ceded reinsurance claims incurred.....	118	(343,000)	0	0	0	0	0	0	0	0	(11,929,996)	0	(12,272,878)	XXX	(12,272,878)	
5.2	Other adjustments due to MLR calculations – Claims.....	1,989,989	6,191,076	(11,313,503)								(1,917,553)	1,200,201	(3,849,790)	XXX	(3,849,790)	
5.3	Rebates paid.....										XXX	XXX	0	0	XXX	0	
5.4	Estimated rebates unpaid prior year.....	0	0	0	0	0	0	0	0	0	XXX	XXX	0	0	XXX	0	
5.5	Estimated rebates unpaid current year.....										XXX	XXX	0	0	XXX	0	
5.6	Fee for service and co-pay revenue.....													0	XXX	0	
5.7	Net incurred claims after reinsurance (Lines 5.0 + 5.1 + 5.2 + 5.3 - 5.4 + 5.5 - 5.6)	1,063,938,792	872,922,640	2,597,137,718	0	0	0	0	0	625,700	0	292,319,292	787,972,605	5,614,916,747	XXX	5,614,916,745	
6.	Improving Health Care Quality Expenses Incurred:																
6.1	Improve Health Outcomes.....	0	0	0	0	0	0	0	0	0				0		0	
6.2	Activities to prevent hospital readmissions.....	0	0	0	0	0	0	0	0	0				0		0	
6.3	Improve patient safety and reduce medical errors.....	0	0	0	0	0	0	0	0	0				0		0	
6.4	Wellness and health promotion activities.....	0	0	0	0	0	0	0	0	0				0		0	
6.5	Health Information Technology expenses related to health improvement.....	0	0	0	0	0	0	0	0	0				0		0	
6.6	Total of Defined Expenses Incurred for Improving Health Care Quality (Lines 6.1 + 6.2 + 6.3 + 6.4 + 6.5)	11,028,538	8,034,005	22,328,389	0	0	0	0	0	8,119	0	3,103,917	7,297,750	51,800,718	54,051,811	105,852,530	
7.	Preliminary Medical Loss Ratio: MLR (Lines 4 + 5.0 + 6.6 – Footnote 2.0) / Line 1.8	0.866	0.916	0.973	0.000	0.000	0.000	0.000	0.000	0.661	XXX	XXX	0.897	XXX	XXX	XXX	
8.	Claims Adjustment Expenses:																
8.1	Cost containment expenses not included in quality of care expenses in Line 6.6.....	9,536,247	16,698,940	40,419,540						6,580		5,491,545	19,491,585	91,644,437	87,415,347	179,059,784	
8.2	All other claims adjustment expenses.....	9,227,860	8,380,594	24,553,126						9,209		65,066,542	15,017,960	83,577,370	83,577,370	148,643,912	
8.3	Total claims adjustment expenses (Lines 8.1 + 8.2)	18,764,107	25,079,534	64,972,666	0	0	0	0	0	15,789	0	13,369,338	34,509,545	156,710,979	170,992,717	327,703,696	
9.	Claims Adjustment Expense Ratio (Line 8.3 / Line 1.8)	0.015	0.026	0.024	0.000	0.000	0.000	0.000	0.000	0.016	0.000	0.036	0.039	XXX	XXX	XXX	

216-1.AL

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 2020										NAIC Company Code 55433		
		Comprehensive Health Coverage			Business Subject to MLR Mini-med Plans			Expatriate Plans		9 Student Health Plans	10 Government Business (excluded by statute)	11 Other Health Business	12 Medicare Advantage Part C and Medicare Part D Stand-Alone Subject to ACA	13 Subtotal (Cols 1 thru 12)	14 Uninsured Plans	15 Total (13 + 14)	
		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								
10.	General and Administrative (G&A) Expenses:																
10.1	Direct sales salaries and benefits.....	1,710,083	4,422,328	7,133,194						426		1,295,264	1,579,116	16,140,411	11,030,213	27,170,624	
10.2	Agents and brokers fees and commissions.....	724,733	(34,753)	(48,935)						52,807		2,234,472	3,685,526	6,613,850	(142,182)	6,471,668	
10.3	Other taxes (excluding taxes on Lines 1.5 through 1.7 and Line 14 below).....	0	0	0						0		0	0	0	0	0	
10.4	Other general and administrative expenses.....	39,828,883	32,234,342	78,265,436						114,684		38,794,113	35,881,855	225,119,313	262,600,127	487,719,440	
	10.4a Community Benefit Expenditures (informational only).....				0	0	0	0	0		0			0			
10.5	Total general and administrative (Lines 10.1 + 10.2 + 10.3 + 10.4)	42,263,699	36,621,917	85,349,695	0	0	0	0	0	167,917	0	42,323,849	41,146,497	247,873,574	273,488,158	521,361,732	
11.	Underwriting Gain/(Loss) (Lines 1.12 – 5.7 – 6.6 – 8.3 – 10.5)	103,317,118	14,839,016	(87,658,198)	0	0	0	0	0	141,244	0	21,311,878	15,665,906	67,616,964	XXX	(422,405,116)	
12.	Income from Fees of Uninsured Plans	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	376,425,007	376,425,007	
13.	Net Investment and Other Gain/(Loss)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	104,688,878	XXX	104,688,878	
14.	Federal Income Taxes (excluding taxes on Line 1.5 above)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	(205,934,950)	XXX	(205,934,950)	
15.	Net Gain or (Loss) (Lines 11 + 12 + 13 – 14)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	378,240,792	XXX	264,643,719	
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	122,650	102,946	288,016						2,715		406,406	121,206	1,043,939	810,955	1,854,894	
2.	Number of Covered Lives	169,961	187,947	549,115						2,720		623,908	121,206	1,654,857	1,575,185	3,230,042	
3.	Number of Groups	XXX	16,921	2,227	XXX					0		0	0	19,148	417	19,565	
4.	Member Months	2,127,987	2,313,098	6,514,424						13,465		7,536,024	1,435,901	19,940,899	19,268,106	39,209,005	

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

If yes, show the amount of premiums and claims included:

Premiums \$ _____

Claims \$ _____

216-1.AL

AFFORDABLE CARE ACT (ACA) RECEIPTS, PAYMENTS, RECEIVABLES AND PAYABLES					
		Current Year		Prior Year	
		Comprehensive Health Coverage		Comprehensive Health Coverage	
		1	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)	6,700,000	(2,100,000)	710,000	2,040,000
2.	Transitional ACA Reinsurance Program 2.0 Total amounts recoverable for claims (paid & unpaid)		XXX	0	XXX
3.	Temporary ACA Risk Corridors Program 3.1 Accrued retrospective premium.....			0	0
	3.2 Reserve for rate credits or policy experience refunds			0	0
ACA Receipts and Payments					
4.	Permanent ACA Risk Adjustment Program 4.0 Premium adjustments receipts/(payments)	5,435,289	4,762,744	2,943,262	(294,541)
5.	Transitional ACA Reinsurance Program 5.0 Amounts received for claims	0	XXX	416,936	XXX
6.	Temporary ACA Risk Corridors Program 6.1 Retrospective premium received			0	0
	6.2 Rate credits or policy experience refunds paid	111,024,840	10,341,861	0	0

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 2020		NAIC Company Code 55433								
		Business Subject to MLR												
		Comprehensive Health Coverage			Mini-Med Plans			Expatriate Plans		9	10	11	12	13
		1	2	3	4	5	6	7	8		Government Business (excluded by statute)	Other Health Business	Medicare Advantage Part C and Medicare Part D Stand-Alone Subject to ACA	
		Individual	Small Group Employer	Large Group Employer	Individual	Small Group Employer	Large Group Employer	Small Group	Large Group	Student Health Plans				Total (a)
1.	Health Premiums Earned:													
1.1	Direct premiums written.....	1,378,552,604	998,022,161	2,786,610,653						1,025,845		387,523,913	912,215,917	6,463,951,093
1.2	Unearned premium prior year.....	(704,697)	7,178,992	4,344,126	0	0	0	0	0	0	0	590,780	(47,600)	11,361,601
1.3	Unearned premium current year.....	(719,384)	950,540	(93,853)						10,966		125,085	(50,493)	222,861
1.4	Change in unearned premium (Lines 1.2 – 1.3).....	14,687	6,228,452	4,437,979	0	0	0	0	0	(10,966)	0	465,695	2,893	11,138,740
1.5	Paid rate credits.....	(111,024,840)	(10,341,861)											(121,366,701)
1.6	Reserve for rate credits current year.....			20,436,965								2,226,458		22,663,423
1.7	Reserve for rate credits prior year.....	0	0	26,834,077	0	0	0	0	0	0	0	2,116,560	0	28,950,637
1.8	Change in reserve for rate credits (Lines 1.6 – 1.7).....	0	0	(6,397,112)	0	0	0	0	0	0	0	109,898	0	(6,287,214)
1.9	Premium balances written off.....													0
1.10	Group conversion charges.....													0
1.11	Total direct premiums earned (Lines 1.1 + 1.4 - 1.9 + 1.10).....	1,378,567,291	1,004,250,613	2,791,048,632	0	0	0	0	0	1,014,879	0	387,989,608	912,218,810	6,475,089,833
1.12	Assumed premiums earned from non-affiliates.....													0
1.13	Net assumed less ceded premiums earned from affiliates.....											(7,366,823)		(7,366,823)
1.14	Ceded premiums earned to non-affiliates.....	532,254	575,262	1,194,342										2,301,858
1.15	Other adjustments due to MLR calculation – Premiums.....	808,606	2,785,199	(19,838,787)								7,246,064	1,200,201	(7,798,717)
1.16	Net premiums earned (Lines 1.11 - 1.5 - 1.8 + 1.12 + 1.13 - 1.14 + 1.15).....	1,489,868,483	1,016,802,411	2,776,412,615	0	0	0	0	0	1,014,879	0	387,758,951	913,419,011	6,585,276,350
2.	Direct Claims Incurred:													
2.1	Paid claims during the year.....	1,171,534,723	878,089,351	2,577,121,456						499,648		299,635,780	809,039,119	5,735,920,077
2.2	Direct claim liability current year.....	88,967,723	80,822,034	277,734,847						126,000		26,026,171	69,068,980	542,745,755
2.3	Direct claim liability prior year.....	73,982,144	70,148,120	247,205,781	0	0	0	0	0	0	0	30,938,647	63,676,501	485,951,193
2.4	Direct claim reserves current year.....											6,724,623		6,724,623
2.5	Direct claim reserves prior year.....	0	0	0	0	0	0	0	0	0	0	6,769,459	0	6,769,459
2.6	Direct contract reserves current year.....			282,016,982								231,169,029	(1,257,297)	511,928,714
2.7	Direct contract reserves prior year.....	0	0	256,773,559	0	0	0	0	0	0	0	219,942,197	(57,096)	476,658,660
2.8	Paid rate credits.....	(111,024,840)	(10,341,861)											(121,366,701)
2.9	Reserve for rate credits current year.....			20,436,965								2,226,458		22,663,423
2.10	Reserve for rate credits prior year.....	0	0	26,834,077	0	0	0	0	0	0	0	2,116,560	0	28,950,637
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	4,648,635	4,648,635
2.11a	Paid medical incentive pools and bonuses current year.....												1,428,635	1,428,635
2.11b	Accrued medical incentive pools and bonuses current year.....												4,961,000	4,961,000
2.11c	Accrued medical incentive pools and bonuses prior year.....	0	0	0	0	0	0	0	0	0	0	0	1,741,000	1,741,000
2.12	Net healthcare receivables (Lines 2.12a – 2.12b).....	13,546,778	11,346,839	18,045,612	0	0	0	0	0	(51)	0	(151,643)	31,107,629	73,895,164
2.12a	Healthcare receivables current year.....	48,167,735	39,954,499	60,064,499	0	0	0	0	0	(51)		343,549	81,185,324	229,715,555
2.12b	Healthcare receivables prior 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
2.13	Group conversion charge.....													0
2.14	Multi-option coverage blended rate adjustment.....													0
2.15	Total incurred claims (Lines 2.1 + 2.2 – 2.3 + 2.4 – 2.5 + 2.6 – 2.7 + 2.8 + 2.9 - 2.10 + 2.11 - 2.12 + 2.13 + 2.14).....	1,061,948,684	867,074,565	2,608,451,221	0	0	0	0	0	625,699	0	306,166,841	786,772,403	5,631,039,413
2.16	Assumed incurred claims from non-affiliates.....													0
2.17	Net assumed less ceded incurred claims from affiliates.....											(11,929,996)		(11,929,996)
2.18	Ceded incurred claims to non-affiliates.....	(118)	343,000											342,882
2.19	Other adjustments due to MLR calculation – Claims.....	1,989,989	6,191,076	(11,313,503)								(1,917,553)	1,200,201	(3,849,790)
2.20	Net Incurred Claims (Lines 2.15 - 2.8 - 2.9 + 2.10 + 2.16 + 2.17 - 2.18 + 2.19).....	1,174,963,631	883,264,502	2,603,534,830	0	0	0	0	0	625,699	0	292,209,394	787,972,604	5,742,570,660
3.	Fraud and Abuse Recoveries that Reduced PAID Claims in Line 2.1 above informational only)	69,825	124,936	128,884						0		27,703	9,299	360,647

(a) Column 13, Line 1.1 includes direct written premium of \$ 143,306,422 for stand-alone dental and \$ for stand-alone vision policies.

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				2020	NAIC Company Code		55433
All Expenses				Improving Health Care Quality Expenses				Claims Adjustment Expenses		9	10
		1	2	3	4	5	6	7	8	General	Total
		Improve Health	Activities to Prevent	Improve Patient Safety	Wellness & Health	HIT Expenses	Total	Cost	Other Claims	Administrative	Expenses
		Outcomes	Hospital Readmissions	and Reduce Medical	Promotion Activities		(1 to 5)	Containment	Adjustment	Expenses	(6 to 9)
				Errors				Expenses	Expenses		
1.	Individual Comprehensive Coverage Expenses:										
1.1	Salaries (including \$ for affiliated services).....						0	4,131,181	5,330,507	24,593,375	34,055,063
1.2	Outsourced services.....						0	582,009	324,753	0	906,762
1.3	EDP equipment and software (incl \$ for affiliated services).....						0	5,451	29,555	563,756	598,762
1.4	Other equipment (excl. EDP) (incl \$ for affiliated services).....						0	22,314	28,821	1,372,258	1,423,393
1.5	Accreditation and certification (incl \$ for affiliated services).....		XXX	XXX	XXX	XXX	0	0	0	0	0
1.6	Other expenses (incl \$ for affiliated services).....						0	4,795,292	3,514,224	15,734,310	24,043,826
1.7	Subtotal before reimbursements and taxes (1.1 to 1.6).....	0	0	0	0	0	0	9,536,247	9,227,860	42,263,699	61,027,806
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	9,536,247	9,227,860	42,263,699	61,027,806
1.11	Total Fraud and abuse detection/recovery expenses included in Column 7 (informational only).....						0				
								131,962			131,962
2.	Small Group Comprehensive Coverage Expenses:										
2.1	Salaries (including \$ for affiliated services).....						0	3,952,997	5,154,538	21,481,410	30,588,945
2.2	Outsourced Services.....						0	662,761	308,498	0	971,259
2.3	EDP equipment and software (incl \$ for affiliated services).....						0	5,210	28,307	549,111	582,628
2.4	Other equipment (excl. EDP) (incl \$ for affiliated services).....						0	21,230	27,609	1,327,257	1,376,096
2.5	Accreditation and certification (incl \$ for affiliated services).....		XXX	XXX	XXX	XXX	0	0	0	0	0
2.6	Other expenses (incl \$ for affiliated services).....						0	12,056,742	2,861,642	13,264,139	28,182,523
2.7	Subtotal before reimbursements and taxes (2.1 to 2.6).....	0	0	0	0	0	0	16,698,940	8,380,594	36,621,917	61,701,451
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	16,698,940	8,380,594	36,621,917	61,701,451
2.11	Total fraud and abuse detection/recovery expenses included in Column 7 (informational only).....						0				
								126,289			126,289
3.	Large Group Comprehensive Coverage Expenses:										
3.1	Salaries (including \$ for affiliated services).....						0	8,827,165	15,825,619	51,418,624	76,071,408
3.2	Outsourced services.....						0	1,327,181	654,963	0	1,982,144
3.3	EDP equipment and software (incl \$ for affiliated services).....						0	11,448	72,470	1,380,776	1,464,694
3.4	Other equipment (excl. EDP) (incl \$ for affiliated services).....						0	46,113	77,237	3,390,803	3,514,153
3.5	Accreditation and certification (incl \$ for affiliated services).....		XXX	XXX	XXX	XXX	0	0	0	0	0
3.6	Other expenses (incl \$ for affiliated services).....						0	30,207,633	7,922,837	29,159,492	67,289,962
3.7	Subtotal before reimbursements and taxes (3.1 to 3.6).....	0	0	0	0	0	0	40,419,540	24,553,126	85,349,695	150,322,361
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	40,419,540	24,553,126	85,349,695	150,322,361
3.11	Total fraud and abuse detection/recovery expenses included in Column 7 (informational only).....						0				
								323,114			323,114

216-3.AL

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		Alabama		DURING THE YEAR		2020		NAIC Company Code		55433		
All Expenses		Improving Health Care Quality Expenses									Claims Adjustment Expenses		9	10
		1	2	3	4	5	6	7	8	General Administrative Expenses		Total Expenses (6 to 9)		
		Improve Health Outcomes	Activities to Prevent Hospital Readmissions	Improve Patient Safety and Reduce Medical Errors	Wellness & Health Promotion Activities	HIT Expenses	Total (1 to 5)	Cost Containment Expenses	Other Claims Adjustment Expenses					
4.	Individual Mini-Med Plans Expenses													
4.1	Salaries (including \$ for affiliated services).....						0						0	
4.2	Outsourced services.....						0						0	
4.3	EDP equipment and software (incl \$ for affiliated services).....						0						0	
4.4	Other equipment (excl. EDP) (incl \$ for affiliated services).....						0						0	
4.5	Accreditation and certification (incl \$ for affiliated services).....		XXX	XXX	XXX	XXX	0						0	
4.6	Other expenses (incl \$ for affiliated services).....						0						0	
4.7	Subtotal before reimbursements and taxes (4.1 to 4.6).....	0	0	0	0	0	0	0	0		0		0	
4.8	Reimbursements by uninsured plans and fiscal intermediaries.....						0						0	
4.9	Taxes, licenses and fees (in total, for tying purposes).....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		XXX		0	
4.10	Total (4.7 to 4.9).....	0	0	0	0	0	0	0	0		0		0	
4.11	Total fraud and abuse detection/recovery expenses included in Column 7 (informational only)						0						0	
5.	Small Group Mini-Med Plans Expenses													
5.1	Salaries (including \$ for affiliated services).....						0						0	
5.2	Outsourced services.....						0						0	
5.3	EDP equipment and software (incl \$ for affiliated services).....						0						0	
5.4	Other equipment (excl. EDP) (incl \$ for affiliated services).....						0						0	
5.5	Accreditation and certification (incl \$ for affiliated services).....		XXX	XXX	XXX	XXX	0						0	
5.6	Other expenses (incl \$ for affiliated services).....						0						0	
5.7	Subtotal before reimbursements and taxes (5.1 to 5.6).....	0	0	0	0	0	0	0	0		0		0	
5.8	Reimbursements by uninsured plans and fiscal intermediaries.....						0						0	
5.9	Taxes, licenses and fees (in total, for tying purposes).....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		XXX		0	
5.10	Total (5.7 to 5.9).....	0	0	0	0	0	0	0	0		0		0	
5.11	Total fraud and abuse detection/recovery expenses included in Column 7 (informational only)						0						0	
6.	Large Group Mini-Med Plans Expenses													
6.1	Salaries (including \$ for affiliated services).....						0						0	
6.2	Outsourced services.....						0						0	
6.3	EDP equipment and software (incl \$ for affiliated services).....						0						0	
6.4	Other equipment (excl. EDP) (incl \$ for affiliated services).....						0						0	
6.5	Accreditation and certification (incl \$ for affiliated services).....		XXX	XXX	XXX	XXX	0						0	
6.6	Other expenses (incl \$ for affiliated services).....						0						0	
6.7	Subtotal before reimbursements and taxes (6.1 to 6.6).....	0	0	0	0	0	0	0	0		0		0	
6.8	Reimbursements by uninsured plans and fiscal intermediaries.....						0						0	
6.9	Taxes, licenses and fees (in total, for tying purposes).....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		XXX		0	
6.10	Total (6.7 to 6.9).....	0	0	0	0	0	0	0	0		0		0	
6.11	Total fraud and abuse detection/recovery expenses included in Column 7 (informational only)						0						0	

216-3.AL

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 2020			NAIC Company Code 55433				
All Expenses		Improving Health Care Quality Expenses						Claims Adjustment Expenses		9	10
		1	2	3	4	5	6	7	8	General Administrative Expenses	Total Expenses (6 to 9)
		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		
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	2,600	4,948	24,060	31,608
9.2	Outsourced services.....						0	0	284	0	284
9.3	EDP equipment and software (incl \$ for affiliated services).....						0	1	14	394	409
9.4	Other equipment (excl. EDP) (incl \$ for affiliated services).....						0	13	21	1,046	1,080
9.5	Accreditation and certification (incl \$ for affiliated services).....		XXX	XXX	XXX	XXX	0	0	0	0	0
9.6	Other expenses (incl \$ for affiliated services).....						0	3,966	3,942	142,417	150,325
9.7	Subtotal before reimbursements and taxes (9.1 to 9.6).....	0	0	0	0	0	0	6,580	9,209	167,917	183,706
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	6,580	9,209	167,917	183,706
9.11	Total fraud and abuse detection/recovery expenses included in Column 7 (informational only)						0	101			101



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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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BULLETIN NO. 2014-03

TO: Insurers Writing Small Group Health Insurance in Alabama

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

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

JLR/JFM/bc



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BULLETIN NO. 2020-17

TO: All Insurers Writing Health Insurance in Alabama

FROM: Jim L. Ridling
Commissioner of Insurance 

DATE: September 01, 2020

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

EFFECTIVE: Immediate

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

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

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

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

JLR/WR/bc

Attachment

Table 1

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

Table 2

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