

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

Part III Actuarial Memorandum and Certification

**Individual Market
Effective January 1, 2022**

July 20, 2021

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**Blue Cross and Blue Shield of Alabama
Part III Actuarial Memorandum and Certification
Individual 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, Individual Market health plans for rates effective January 1, 2022.

This memorandum contains data, analysis, and explanations supporting the assumptions and methodology used in the premium rate development for products in the Individual Market. This includes specific support of the inputs and underlying assumptions used to populate the URRT. The contents of the memorandum are intended to demonstrate the reasonableness of the resulting Individual Market premium rates, as well as document that those rates have been developed in compliance with the market rating rules as established under the Affordable Care Act (“ACA”) and in accordance with sound actuarial principles.

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

General Information

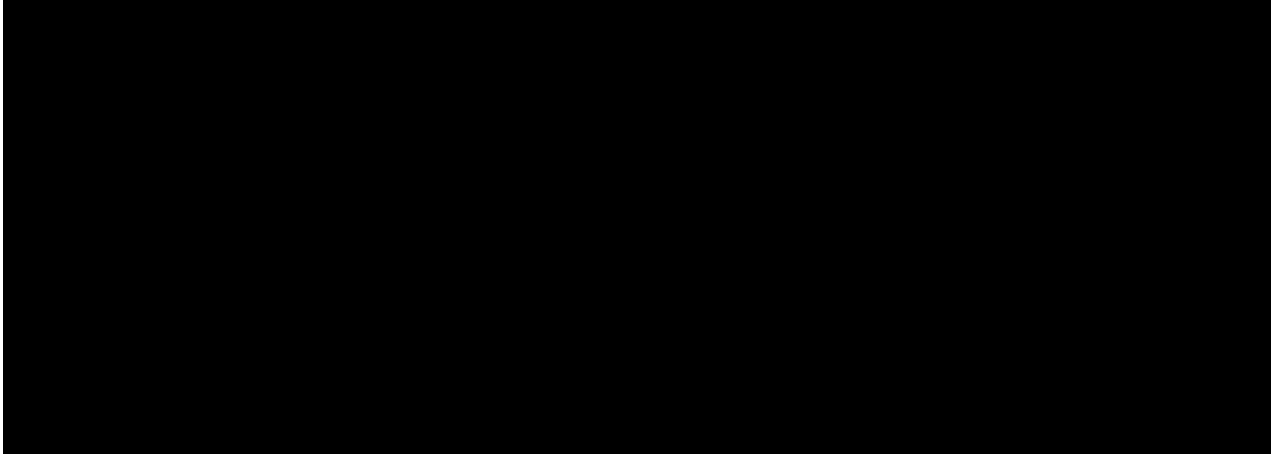
Exhibits 1.1 and 1.2 provide identifying information and primary contact information.

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



Section 2: Proposed Rate Change(s)



BCBSAL proposes an average 7.2% increase to rates.

The average rate increases vary by plan and range from 6.9% for Blue Value Silver to 8.5% for Blue HSA Bronze.

The main considerations for the proposed rate changes are:

- Projected medical inflation and utilization as indicated in Section 5: Trend Factors, and
- Anticipated changes in the average morbidity of the covered population as indicated in Section 6: Morbidity Adjustment.

Other factors affecting the proposed rates are:

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

Exhibit 2.1 provides the components of the average rate increase. While the 2022 premium rates were not developed using the method shown in Exhibit 2.1, it is provided for illustrative purposes, and as a reasonableness check of the overall average rate increase. Please note that the components of the total required rate increase as shown in Exhibit 2.1 are multiplicative rather than additive and unrounded values were used in the calculation.

Exhibit 2.1: Components of Rate Increase	
Components of Rate Increase	Required Premium Increase from 2021 to 2022
[Redacted Content]	
Required Premium increase in 2022 from 2021 Premiums	7.2%

Plan Level Rate Changes

The requested rate change is not the same across all products and plans. The plan level rate changes shown in Exhibit 2.2 reflect the impact of cost sharing changes for each plan and the change in the CSR adjustment factors. Such rate variation by plan reflects neither potential nor existing differences in morbidity.

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

Exhibit 2.2: Plan Level Rate Changes for 2022			
Plan	Original Effective Date	April 2021 Members	2022 Rate Change

The rate changes by plan are based on the rating area 3, Birmingham-Hoover, AL MSA, 21 year old, non-tobacco premium rates in 2021 and 2022. The average rate change across all plans is calculated by taking the weighted average of 2021 and 2022 rates by plan for a 21 year old, using the April 2021 members by plan as weights.

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

Exhibit 2.3: Plan Level Rate Changes for 2022			
Plan	2021 Rate	2022 Rate	2022 Rate Change
Average			7.2%

Section 3: Experience and Current Period Premium, Claims, and Enrollment

Experience for the Single Risk Pool during the experience period reported in Worksheet 1, Section I, of URRT, includes all non-grandfathered health plans in the Individual Market.

Experience Period

12 months of calendar year 2020 based on the claim incurred date

Experience Period Paid Through Date

May 31, 2021

Current Date

Current enrollment and premium found in Section 2 of Worksheet 2 is reported as of April 30, 2021.

Premiums (net of MLR Rebate) in Experience Period

The reported premium in Section I of Worksheet 1 of [REDACTED]

1. Reflects premiums earned during the experience period by BCBSAL,
2. Does not reflect any reductions prescribed by HHS when calculating BCBSAL's MLR, such as taxes and assessments,
3. Does not reflect risk adjustment payables or receivables, and
4. Reflects HHS MLR rebates of \$0 as BCBSAL's Individual MLR for 2017, 2018, and 2019 combined was 0.848 (taken from CMS MLR & Rebate Calculation filed 07/31/2020). The 2020 Individual MLR taken from the 2020 Supplemental Health Care Exhibit – Part 1 was 0.866. 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 three claim classifications. Each methodology, where appropriate, used historical claim data from BCBSAL's Individual non-grandfathered block of business.

(1) Initial Claims (overwhelming majority of URRT incurred claims)

IBNP was estimated by applying completion factors to experience period claims where completion factors were based on the Development (or Lag) Method referenced in paragraphs 2.5 and 3.4.1 of Actuarial Standard of Practice No. 5, "Incurred Health and Disability Claims."

A separate set of completion factors was developed for each incurred month during the experience period for each of the following benefit categories.

- (a) Inpatient Hospital,
- (b) Outpatient Hospital,

- (c) Professional,
- (d) Other Medical, and
- (e) Prescription Drugs.

Allowed claims were developed by combining incurred claims with member cost sharing.

Allowed claims and incurred claims used the same set of completion factors.

- (2) Drug and Medical Rebates (magnitude approximately [REDACTED] of URRT incurred claims)

IBNP was estimated by subtracting actual rebates paid from ultimate rebates. Ultimate rebates were derived by applying completion factors to actual rebates.

- (3) Capitation Payments (magnitude less than [REDACTED] of URRT incurred claims)

IBNP is \$0.

For Rebates and Capitation Payments, allowed claims equal incurred claims.

Regardless of classification, all claims are combined within the six benefit categories listed in Section 2, of Worksheet 1, of the URRT.

The resulting IBNP estimates are neither unusually high nor unusually low relative to historical levels as completion factors were developed as a function of historical completion rates applied to the experience period claims.

As expected, the IBNP estimate is stable given the experience period is calendar year 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 incurred claims and allowed claims are distributed differently across months, the overall completion factor will differ between incurred claims and allowed claims, and
- (2) For all other classifications incurred claims and allowed claims are equal. By mixing these claims with claims associated with “Initial Claims” within a benefit category, the overall completion factor will differ for incurred claims and allowed claims.

The benefit category of Prescription Drug has a sizable amount of “Out System” claims. These “Out System” claims are comprised of drug rebates and drug claims adjudicated by the Pharmacy Benefit Manager (PBM).

Exhibit 3.1: Incurred Claims					
Benefit Category	In System	Out System	IBNP	Total	Completion Factor
Inpatient Hospital					
Outpatient Hospital					
Professional					
Other Medical					
Capitation					
Prescription Drug					
Total					

Exhibit 3.2: Allowed Claims					
Benefit Category	In System	Out System	IBNP	Total	Completion Factor
Inpatient Hospital					
Outpatient Hospital					
Professional					
Other Medical					
Capitation					
Prescription Drug					
Total					

Exhibit 3.3: Column Heading Definitions	
Heading	Definition
In System	Claims processed through BCBSAL’s claim system
Out System	Claims processed outside of BCBSAL’s claim system
IBNP	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 2022 rates due to differences in requirements, instructions, and timing. For example, the URRT excludes Grandfathered coverages which are included in the Supplemental Health Care Exhibits.

Section 4: Benefit Categories

Claims in the experience period were assigned to one of the following categories based on indicators (e.g. location of service, type service, claim form UB04/CMS 1500, etc.) associated with the claim data. These assignments mostly follow the definitions given below.

Inpatient Hospital (Utilization Unit: Days)

Includes non-capitated facility services for medical, surgical, maternity, mental health and substance abuse, and other services provided in a facility setting on an inpatient basis and billed by the facility.

Outpatient Hospital (Utilization Unit: Services)

Includes non-capitated facility services for surgery, emergency room, lab, radiology, therapy, observation and other services provided in a facility setting on an outpatient basis and billed by the facility.

Professional (Utilization Unit: Services)

Includes non-capitated primary care, specialist, laboratory, radiology, and other professional services that are billed directly by the provider.

Other Medical (Utilization Unit: Services)

Includes non-capitated ambulance, home health care, therapy, DME, chiropractic, prosthetics, supplies, and other services as well as all out-of-network services.

Capitation (Utilization Unit: Benefit Period)

Includes all services provided under capitated arrangements.

Prescription Drug (Utilization Unit: Prescriptions)

Includes drugs dispensed by a pharmacy. This amount is net of rebates received from PBM.

Section 5: Trend Factors

BCBSAL cost and utilization projection trends by benefit category are determined by examining experience trends, and incorporating knowledge of provider reimbursement arrangements, utilization patterns by benefit category, and any pending changes of reimbursement or utilization. Exhibit 5.1 shows the components of trend broken into Year 1 (2021) and Year 2 (2022). Trends were selected using actuarial judgement with considerations for changes in demographics, benefits, seasonality, and one-time events. The rating trends in this section do not include the impact of COVID-19, which is addressed in Section 6.

Exhibit 5.1 Underlying Trend Factor Development				
	Year 1 Trend		Year 2 Trend	
	January - December 2021		January - December 2022	
Benefit Category	Cost	Utilization	Cost	Utilization
Inpatient				
Outpatient				
Professional				
Other Medical				
Capitation				
Prescription Drug				
Composite				

Since the current URRT instructions do not define a methodology for reflecting the change in allowed cost due to the expected shift in distribution of members by product between the experience period and the projection period, BCBSAL elected to adjust the underlying utilization trends for all benefit categories excluding Capitation. Exhibit 5.2 shows the calculation for value of the change in product mix. The allowed relativities used were derived from the Milliman Managed Care Rating Model, which was calibrated to BCBSAL's Individual experience.

Exhibit 5.2 Value of Change in Product Mix				
Plan Name	Modeled Allowed Relativities	2020 Member Months	2021 Member Months	2022 Member Months
Blue Value Gold				
Blue HSA Gold				
Blue Cross Select Gold				
Blue Secure Silver				
Blue Value Silver				
Blue Cross Select Silver				
Blue Saver Silver EPO				
Blue Saver Silver				
Blue Saver Bronze				
Blue HSA Bronze				
Blue Protect				
Total				

2020 Weighted Average Modeled Allowed Relativity	
2021 Weighted Average Modeled Allowed Relativity	
2022 Weighted Average Modeled Allowed Relativity	

Year 1 Product Mix Trend Factor	
Year 2 Product Mix Trend Factor	

Exhibit 5.3 shows the product mix adjusted trend factors by benefit category for Year 1 and Year 2. This exhibit combines information from Exhibits 5.1 and 5.2.

Exhibit 5.3 URRT Trend Factors				
	Year 1 Trend		Year 2 Trend	
	January - December 2021		January - December 2022	
Benefit Category	Cost	Utilization	Cost	Utilization
Inpatient				
Outpatient				
Professional				
Other Medical				
Capitation				
Prescription Drug				
Composite				

Section 6: Morbidity and Other Adjustments

Morbidity Adjustment

BCBSAL developed the expected Individual Market morbidity factor for 2022 based on available data on Individual Market members through June 2021. The following is the list of considerations that went into the morbidity factor development.

2020 to 2021 considerations

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

2021 to 2022 considerations

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

[REDACTED]

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

Exhibit 6.1: Projected Morbidity Factor	
	Factor
2021 vs 2020 Morbidity Factor	[REDACTED]
2022 vs 2021 Morbidity Factor	[REDACTED]
Total Morbidity Factor	[REDACTED]

For 2021, BCBSAL derived a morbidity trend of [REDACTED] using experience through June 2021.

[REDACTED]

[REDACTED]

Exhibit 6.2 shows the development of the 2022 vs 2021 morbidity factor.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Other Adjustment

Exhibit 6.5 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 COVID-19 net impact from the 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 6.5.

The [REDACTED] composite factor is the weighted average of the “Other Factor Adjustment: COVID” factors with “Trended EHB Allowed Claims PMPM” of Exhibit 11.2 as weights.

Exhibit 6.5: Other Factor Adjustment		
Benefit Category	Trended EHB Allowed Claims PMPM	Other Factor Adjustment: COVID
Inpatient Hospital	[REDACTED]	[REDACTED]
Outpatient Hospital	[REDACTED]	[REDACTED]
Professional	[REDACTED]	[REDACTED]
Other Medical	[REDACTED]	[REDACTED]
Capitation	[REDACTED]	[REDACTED]
Prescription Drug	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]

Section 7: Demographic Shift

Demographic changes were estimated using BCBSAL’s geographic area factors, the age curve described in the paragraph immediately preceding Exhibit 18.2, and other rating factors along with projected member months.

Area Factor Adjustment

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

For the 2021 rate filing, BCBSAL filed new area rating factors. These factors will be used again in this filing.

[REDACTED]

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

BCBSAL also considered the following:

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

Exhibit 7.1 shows the numerical development of the “2020 Experience Period Average Area Factor” of [REDACTED] which was developed as the weighted average of the “Area Factors” using the 2020 membership across rating areas as weights.

Exhibit 7.1 also shows the numerical development of the “2022 Projection Period Average Area Factor” of [REDACTED] which was developed as the weighted average of the “Area Factors” using the projected 2022 membership across rating areas as weights.

[REDACTED]

Exhibit 7.1: Area Factor Adjustment				
MSA	Rating Area	Area Factors	Actual 2020 Enrollment Distribution	Projected 2022 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				
2020 Experience Period Average Area Factor				
2022 Projection Period Average Area Factor				
Area Factor Adjustment [REDACTED]				

Age Factor Adjustment

BCBSAL used the age curve described in the paragraph immediately preceding Exhibit 18.2 in calculating both the average experience period age factor and the average projection period age factor. The average projection period age factor was calculated by analyzing historical membership, average age factor and monthly percentage change in average age. This development can be seen in Exhibits 7.2 and 7.3.

In the exhibits, the Monthly Change is the actual change in the total average age factor by month. BCBSAL used the Monthly Change impact in the historical data as a basis for the Monthly Change impact in the projected data. The 2022 projection period average age factor is a weighted average of the projected monthly average age factor and the projected total enrollment by month.

Exhibit 7.2: Historical Average Age Factor Change Analysis

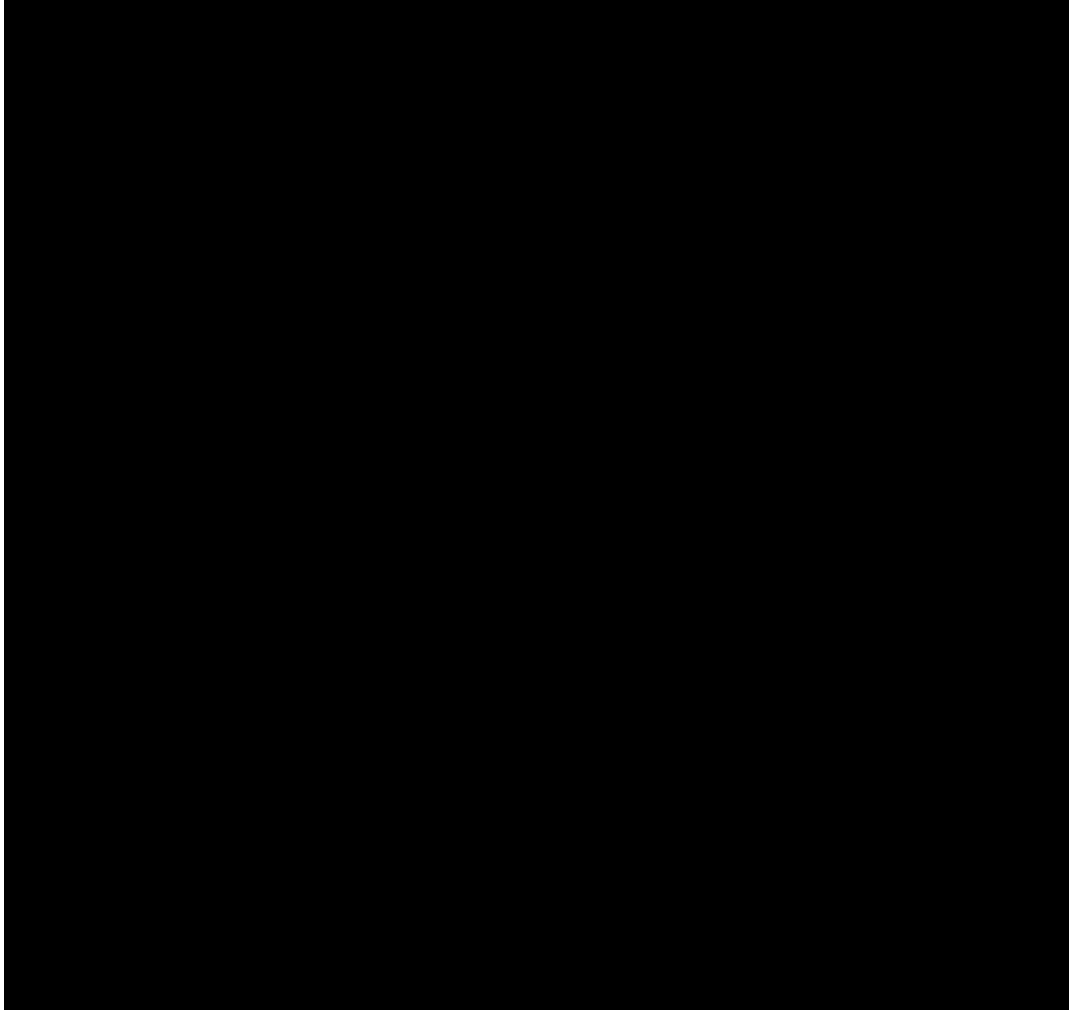
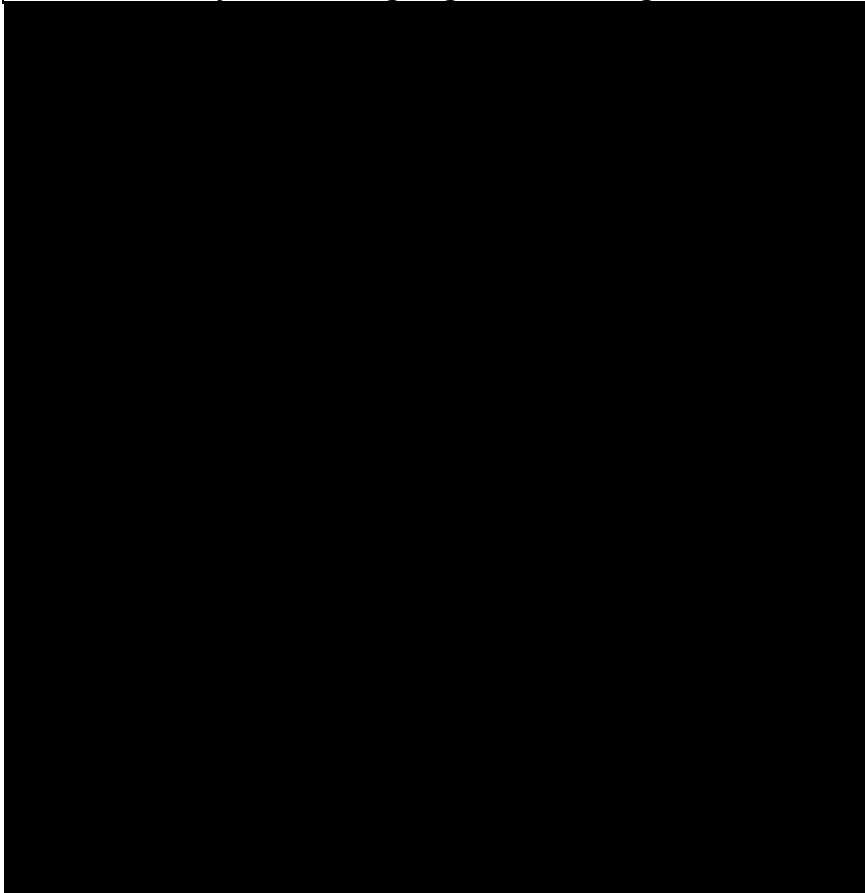


Exhibit 7.3: Projected Average Age Factor Changes



2020 Experience Period Average Age Factor	
2022 Projection Period Average Age Factor	
Age Factor Adjustment	

Tobacco Factor Adjustment

For the 2021 rate filing, BCBSAL filed a new tobacco rating factor. This factor will be used again in this filing. This factor was developed [REDACTED]

[REDACTED] The data was also normalized for benefit plan mix, area mix, and age mix.

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

The experience period tobacco factor [REDACTED] was developed using 2020 enrollment by tobacco usage status and exchange status. The latter split of 2020 enrollment was used to see if the distribution of tobacco and non-tobacco users varies by that characteristic. Exhibit 7.4 provides detailed information concerning the development of the 2020 average tobacco factor.

Exhibit 7.4: 2020 Experience Period Average Tobacco Factor			
Tobacco User	Exchange Status	Member Months	Tobacco User
Yes	On Exchange	[REDACTED]	[REDACTED]
No	On Exchange		
Yes	Off Exchange		
No	Off Exchange		
2020 Average Tobacco Factor			[REDACTED]
% of Total Enrollment on Exchange			
2020 On Exchange % Tobacco User			
2020 Off Exchange % Tobacco User			

BCBSAL used experience data showing the average percentage of tobacco users by year for On Exchange vs. Off Exchange to make assumptions about this distribution for 2022. Results are shown in Exhibit 7.5.

Exhibit 7.5: Percentage of Tobacco Users		
Year	On Exchange	Off Exchange
2018	[REDACTED]	[REDACTED]
2019		
2020		
2021 (Jan-May)		
2022 (assumed)		

The projection period tobacco factor [REDACTED] was developed by combining the assumptions above for percentage of tobacco users and BCBSAL’s projected 2022 enrollment by on exchange and off exchange. The numerical development for the 2022 projected average tobacco factor can be found in Exhibit 7.6.

Exhibit 7.6: 2022 Projection Period Average Tobacco Factor			
Tobacco User	Exchange Status	Member Months	Tobacco User
Yes	On Exchange	[REDACTED]	[REDACTED]
No	On Exchange	[REDACTED]	[REDACTED]
Yes	Off Exchange	[REDACTED]	[REDACTED]
No	Off Exchange	[REDACTED]	[REDACTED]
2022 Average Tobacco Factor			[REDACTED]
% of Total Enrollment on Exchange			[REDACTED]
2022 On Exchange % Tobacco User			[REDACTED]
2022 Off Exchange % Tobacco User			[REDACTED]

The calculation for the adjustment was done by dividing the 2022 average tobacco factor by the 2020 average tobacco factor (shown below).

[REDACTED]

Total Demographic Shift

Exhibit 7.7 shows the calculation of the total demographic shift factor.

Exhibit 7.7: Demographic Shift	Factor
Area Factor Adjustment	[REDACTED]
Age Factor Adjustment	[REDACTED]
Tobacco Factor Adjustment	[REDACTED]
Total Demographic Shift Adjustment	[REDACTED]

Section 8: Plan Design Changes

From the experience period to the projection period, BCBSAL made changes to cost sharing requirements to each plan.

These changes were implemented to:

- (1) Maintain Actuarial Values within de minimis ranges,
- (2) Reflect changes in regulations, and/or
- (3) Reflect changes in the cost and utilization of medical care.

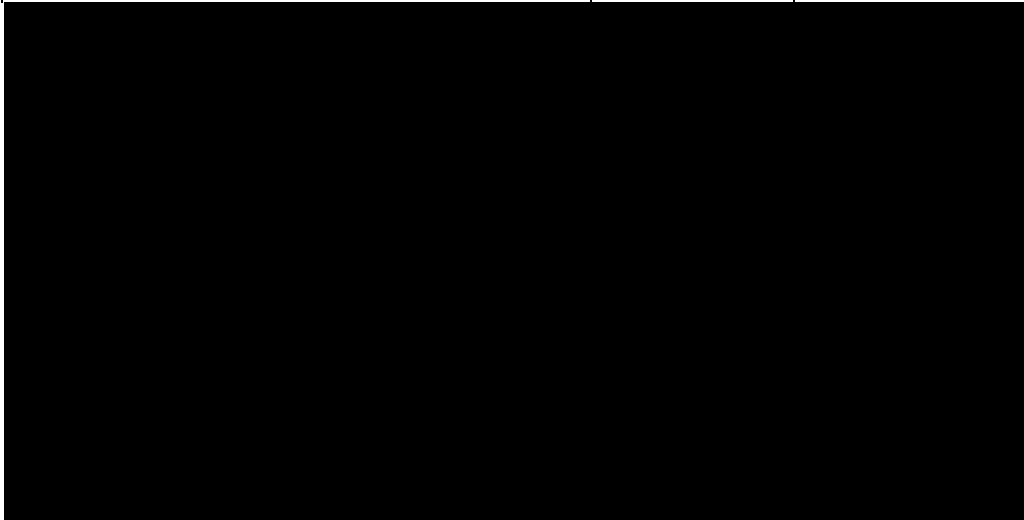
The value of these changes for each plan was calculated by using the Milliman Managed Care Rating Model, which was calibrated to BCBSAL's Individual experience.

More specifically, the Milliman Managed Care Rating Model was used to model both the 2020 and 2022 benefits. The difference between these two values is the difference due only to the change in cost sharing and can be seen in Exhibit 8.1.

All benefits covered in the experience period will also be covered in the projection period.

Exhibit 8.1: Value of Cost Sharing Changes from 2020 to 2022 by Plan			
Plan Name	2020 Modeled Allowed Relativities	2022 Modeled Allowed Relativities	Value of Cost Sharing Changes from 2020 to 2022

The overall value for the cost sharing changes is calculated in Exhibit 8.2. The Impact of Cost Sharing Changes on Allowed is 1 plus the Value of Cost Sharing Changes from 2020 to 2022 found in Exhibit 8.1.

Exhibit 8.2: Allowed Impact of Cost Sharing Changes		
Plan Name	% of 2020 Total Allowed Claims	Impact of Cost Sharing Changes on Allowed
		

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

Experience Period Index Rate

Exhibit 11.1 provides details around the development of BCBSAL’s 2020 Individual ACA Index Rate.

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

The Index Rate equals the allowed claims PMPM from the experience period less non-EHB claims (\$0.00 PMPM). There were no non-EHBs covered in the experience period.

Experience Period Index Rate PMPM = [REDACTED]

Projection Period Index Rate

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

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

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



Note: rounded numbers are shown in the exhibit, while unrounded numbers are used for the actual calculations. This may cause some slight differences in final results.

BCBSAL applied the Projection Factors in Exhibit 11.3 (as described in Section 6: Morbidity and Other Adjustments, Section 7: Demographic Shift, and Section 8: Plan Design Changes) to the trended EHB allowed claims PMPM to develop the projection period allowed cost PMPM.

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

There will be no non-EHBs covered in the Individual Market during 2022, and as described in Section 10, BCBSAL has assigned full credibility to its base period experience and no manual rate adjustment is necessary. Therefore, the Index Rate for the Projection Period is also

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

Section 12: Development of the Market Adjusted Index Rate

The Market Adjusted Index Rate is calculated as the index rate adjusted for all allowable market-wide modifiers, including reinsurance, risk adjustment, and the exchange user fee adjustment. This calculation is shown in Exhibit 12.1. The Market Adjusted Index Rate in Exhibit 12.1 does not match exactly to the Market Adjusted Index Rate in the URRT due to URRT rounding requirements.

Exhibit 12.1: Calculation of 2022 Market Adjusted Index Rate	
Projected 2022 Index Rate	[REDACTED]
Reinsurance	[REDACTED]
Risk Adjustment Payment/Charge	[REDACTED]
Exchange User Fee Adjustment	[REDACTED]
Market Adjusted Index Rate	[REDACTED]

Reinsurance

There are no expected reinsurance recoveries for 2022.

Experience Period Risk Adjustment

The risk adjustment transfer for the 2020 BCBSAL Individual Market is listed in Exhibit 12.2. As published by CMS on 6/30/2021, this is the amount BCBSAL will receive for 2020 net of High-Cost Risk Pool payments and charges.

Exhibit 12.2: 2020 Risk Adjustment Transfer		
Member Months	Transfer Payment	Transfer on PMPM Basis
[REDACTED]	\$8,272,076	[REDACTED]

Projected Risk Adjustment PMPM

BCBSAL expects a recovery of [REDACTED] PMPM in 2022 from the risk adjustment program, based on the following:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- The risk adjustment transfer amounts will be reduced by 50% in 2022.

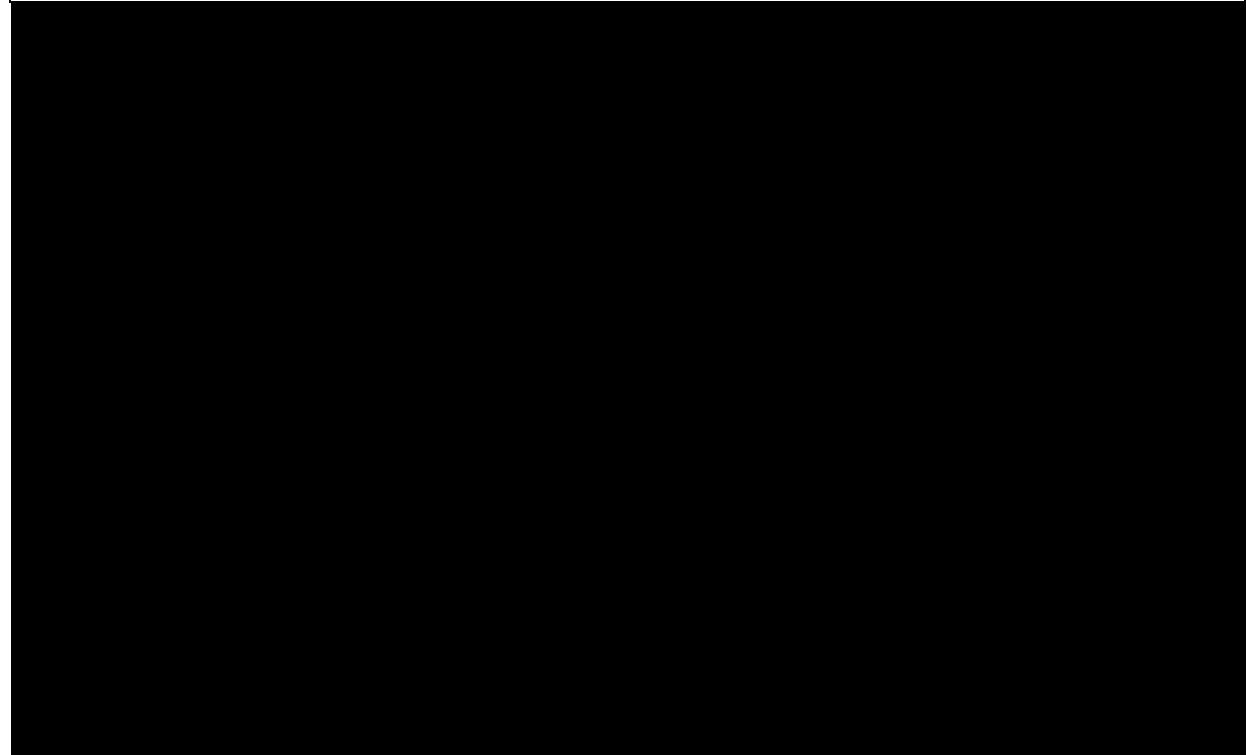
- Risk adjustment transfers will be altered for high-cost enrollees in 2022. Individual Market issuers will be reimbursed for 60% of paid claims in excess of \$1 million for any such enrollees, while all Individual Market issuers nationwide will be assessed a small uniform percent of premium. [REDACTED]

In the development of the market adjusted index rate, the expected risk adjustment transfer will be applied to the index rate on an allowed claims basis. To calculate the [REDACTED] allowed PMPM, the risk adjustment transfer estimate [REDACTED] PMPM was divided by the paid to allowed ratio [REDACTED]

Exchange User Fee

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

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



[REDACTED]

Section 13: Actuarial Value and Cost Sharing

Induced Utilization Adjustment Factors

The induced utilization adjustment factors are used to account for the expected utilization differences due to differences in cost sharing. They are the induced utilization of the plan relative to the induced utilization of the total Individual Market. They were developed using the Milliman Managed Care Rating Model using a standard population and [REDACTED] claims experience normalized for risk, area, network, and large claims. This demonstrates the expected utilization differences due to cost-sharing factors alone, independent of health status. Induced Utilization factors are shown in column C of Exhibit 16.1.

Paid to Allowed Adjustment Factors

The 2022 average paid to allowed factor is calculated by projecting paid to allowed ratios and allowed PMPMs by plan. Unrounded values were used throughout this section.

Exhibit 13.1 shows the development of the each plan’s Projected 2022 Paid to Allowed Ratio. The paid amount used in this development is assuming all members are on the standard plan.

Exhibit 13.1: Projected 2022 Paid to Allowed Ratios by Plan						
	A	B	C	D	E	F = A x B x C x D x E
Plan Name	2020 (Actual) Paid to Allowed Ratio	Estimated Impact of COVID-19	Estimated Impact of Leveraging	Estimated Impact of Cost Sharing Changes	Estimated Impact of Change in Morbidity	Projected 2022 Paid to Allowed Ratio
[REDACTED]						

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

- Estimated impact of leveraging (column C),
- Estimated impact of cost sharing changes (column D), and
- Estimated impact of change in morbidity (column E).



Exhibit 13.2 shows the development of the each plan’s Projected 2022 Allowed PMPM.

Exhibit 13.2: Projected 2022 Allowed PMPMs by Plan						
	A	B	C	D	E	F = A x B x C x D x E
Plan Name	2020 (Actual) Allowed PMPM	Estimated Impact of COVID-19	2-Year Trend Factor	Estimated Impact of Cost Sharing Changes	Estimated Impact of Change in Morbidity	Projected 2022 Allowed PMPM
[Redacted Content]						

2020 (Actual) Allowed PMPMs shown in Exhibit 13.2 were adjusted for trend, cost sharing changes, and morbidity in order to project to a 2022 allowed PMPM basis. The trend factor (column C) applies two years of the composite trend factor. The impact of cost sharing changes (column D) was derived from the Milliman Managed Care Rating Model, which was calibrated to BCBSAL’s Individual experience. The impact due to change in morbidity (column E) was developed in Section 6.



Exhibit 13.3 shows the calculation of the projected paid to allowed ratio for 2022 using results from Exhibits 13.1 and 13.2.

Exhibit 13.3: Paid to Allowed Ratio					
	A	B	C	D = A x B x C	E = A x B
Plan Name	Projected 2022 Member Months	Projected 2022 Allowed PMPM	Projected 2022 Paid to Allowed Ratio	Projected Paid Amount (Numerator)	Projected Allowed Amount (Denominator)

2022 Projected Total Paid to Allowed Ratio	
--	--

Exhibit 13.4 shows the calculation for the Paid to Allowed Adjustment Factor. The Paid to Allowed Adjustment Factor is the Modeled 2022 Paid to Allowed Ratio by plan multiplied by the 2022 Projected Total Paid to Allowed Ratio calculated in Exhibit 13.3 relative to the Total Modeled 2022 Paid to Allowed Ratio.

Exhibit 13.4: Paid to Allowed Adjustment Factors			
	A	B	C = A / A(Total) x B
Plan Name	Modeled 2022 Paid to Allowed Ratio	2022 Projected Total Paid to Allowed Ratio	Paid to Allowed Adjustment Factor

CSR Adjustment Factor

Given the federal government will not fund the CSR program in 2022, BCBSAL has made provisions in the development of its Plan Adjusted Index Rates.

[REDACTED]

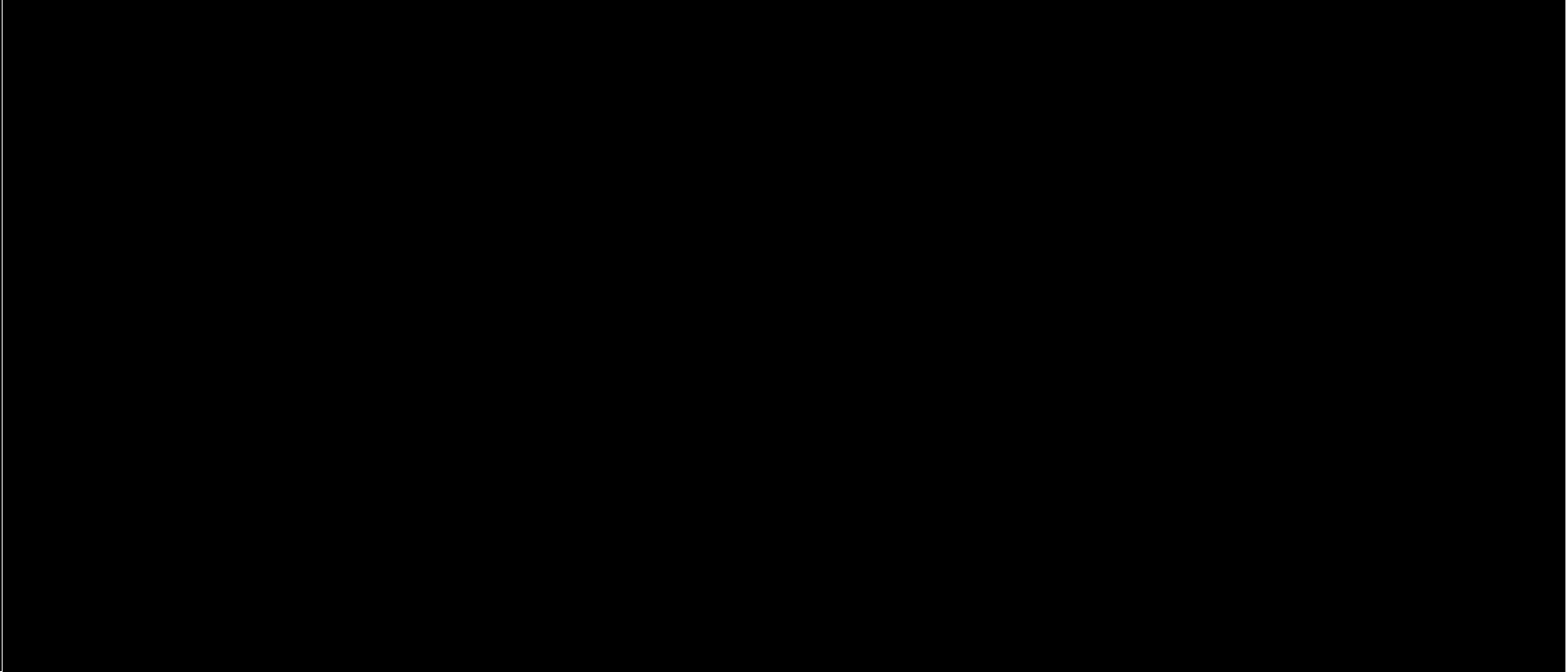
[REDACTED]

A small amount of what would have been the 2022 CSR amounts are related to limited cost sharing and no cost sharing CSR variation plans for eligible American Indians and Alaska Natives for all exchange plans. These CSR amounts are projected to be [REDACTED] of incurred claims based on 2020 experience.

[REDACTED]

[REDACTED]

Exhibit 13.5: Calculation of QHP Silver CSR Adjustment Factor



Projected CSR amounts by QHP silver plan variation are calculated by developing projected 2022 allowed PMPMs, paid to allowed ratios with and without CSR funding, and average members.

The projections in column A were developed from the 2020 allowed PMPMs by plan. The projected paid to allowed ratios were developed from the 2020 paid to allowed ratios by plan with modeled impacts of COVID-19, trend, and cost sharing benefit changes between the 2020 and 2022 plans. The projected 2022 average members by plan variation were developed from actual enrollment through April 2021, historical changes in enrollment by plan variation, and expected changes in enrollment by plan variation.

[REDACTED]

[REDACTED] The values shown in lines (a) and (b) of Exhibit 13.6 have been taken from Exhibit 13.5.

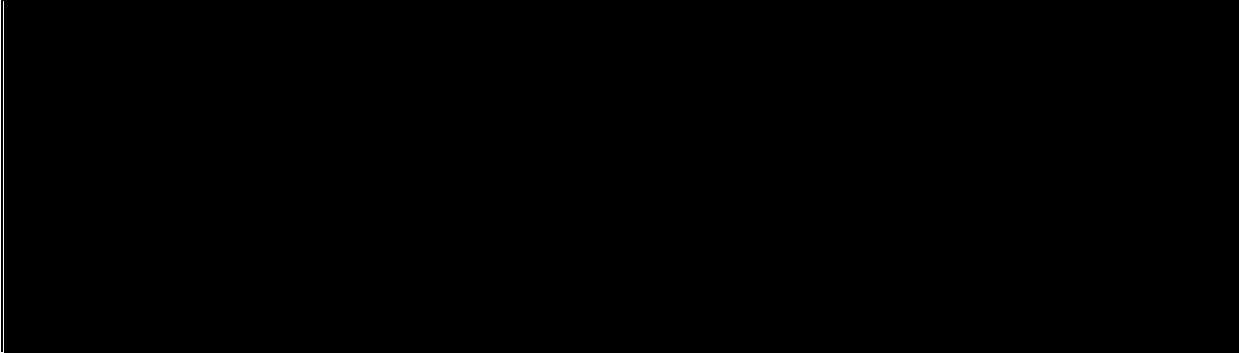
The projected relativity of BCBSAL's loss ratio of QHP silver plans with CSR funding adjusted for drug rebates, and BCBSAL's entire individual ACA block of business is shown in line (c) as [REDACTED]

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

The factor of [REDACTED] is developed by dividing row (a) by row (b) and multiplying that result by row (c). Multiplying by row (c) adjusts the calculation such that the additional premium and claims resulting from CSR being unfunded in 2022 do not change the loss ratio of the entire individual ACA block of business.

This projected [REDACTED] impact has been combined with the projected [REDACTED] impact for the limited cost sharing and no cost sharing CSR variation plans for eligible American Indians and Alaska Natives as shown in row (e) to develop the QHP Silver Plan CSR Adjustment Factor of [REDACTED] as shown in row (f).

Exhibit 13.6: Calculation of QHP Silver Plans CSR Adjustment Factor



Section 14: Administrative Costs

BCBSAL evaluated administrative expenses for all lines of business as well as the Individual 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 Individual line of business, and
- Ongoing maintenance, requirements, and future improvements in health plan administration (for the Individual ACA market), and medical management programs applicable to the Individual market.

[REDACTED]

[REDACTED]

[REDACTED]

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]	[REDACTED]
Contribution to Surplus & Risk Margin	[REDACTED]	[REDACTED]
Taxes and Fees (from Exhibit 14.2)	[REDACTED]	[REDACTED]
Total URRT Retention	[REDACTED]	[REDACTED]

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

Exhibit 14.2 shows the taxes and fees components for 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		
Health Insurer Fee		
Risk Adjustment User Fee		
Patient-Centered Outcomes Research Institute (PCORI) Fee		
Total Taxes and Fees		

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

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

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

- State Premium Tax 1.60%

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

- Health Insurer Fee 0.00%

For calendar year 2021 and after, the Further Consolidated Appropriations Act of 2020 repealed the Health Insurer Fee which would have otherwise been assessed for calendar year 2022.

- Risk Adjustment User Fee [REDACTED]

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 [REDACTED] of BCBSAL’s 2022 projected individual non-grandfathered premium.

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

The IRS indicated a PCORI fee of \$2.66 PMPY for plan years ending on or after 10/01/2020 and before 10/01/2021. By applying projected inflation, a projected PCORI fee of \$3.01 PMPY was developed for plan years ending 12/2022. This converts to approximately [REDACTED] of BCBSAL’s 2022 projected individual non-grandfathered premium.

Section 15: Other Plan Level Adjustments

Provider Network Adjustment

The total provider network factor for each plan is the product of any applicable plan level adjustments. The calculated provider network factor was then adjusted so that the member month and allowed weighted average provider network factor is 1.0000. Exhibit 15.1 shows the calculation. The [REDACTED] in column E was calculated by weighting the provider network factors in column E by member months (column A) and allowed relativities (column B).

Exhibit 15.1: Calculation of Adjusted Provider Network Adjustments						
	A	B	C	D	E = C x D	F = E / E(Total)
Plan Name	2022 Projected Member Months	Induced Utilization Adjustment Factor	Provider Network Factor - Referral Requirement	Provider Network Factor - EPO Network	Total Provider Network Factor	Provider Network Factor Adjusted
[REDACTED]						

Catastrophic Factor

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

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

This factor is calculated as [REDACTED]

Catastrophic factor = [REDACTED]

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

Exhibit 15.2: Catastrophic Factors		
Plan Name	2022 Projected Member Months	Catastrophic Factor
[REDACTED]		

Section 16: Plan Adjusted Index Rates

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

- Actuarial value and cost-sharing design (Section 13)
 - Paid to allowed adjustment factor,
 - Expected utilization differences due to differences in cost sharing labeled below in Exhibit 16.1 as induced utilization, and
 - CSR adjustment factor to fund the CSR program in 2022.
- Adjustment for administrative costs excluding exchange user fees (Section 14)
- Other plan level adjustments (Section 15)
 - Provider Network
 - Impact of specific eligibility categories for the catastrophic plan

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

Exhibit 16.1: Calculation of Plan Adjusted Index Rates									
	A	B	C	D	E	F	G	H	$I = B \times C \times D \times E \times F \times G / (1 - H)$
Plan Name	Projected Member Months	Market Adjusted Index Rate	Induced Utilization Adjustment Factor	Paid to Allowed Adjustment Factor	CSR Adjustment Factor	Provider Network	Catastrophic Factor	Admin Costs (% of Premium)	Plan Adjusted Index Rates

Section 17: Calibration

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

Age Calibration:

The plan adjusted index rates were calibrated by a projected average age factor (using the age curve described in the paragraph immediately preceding Exhibit 18.2) of [REDACTED]. This factor is different from the 2022 projected average age factor because it is adjusted to account for the distribution of members expected to pay no premium due to the cap of the three oldest child dependents under age 21. Monthly adjusted average age factors were calculated by applying a factor of zero for the members over the child dependent cap. These were compared to the monthly average age factors calculated in Section 7. The average percent difference between the two factors was [REDACTED] which can be seen in Exhibit 17.1.

This difference was applied to the projected average age factors in Section 7 to calculate the average age factors adjusted for members expected to pay no premium due to the child dependent cap. This calculation is shown in Exhibit 17.2. The 2022 Projection Period Average Age Calibration Factor of [REDACTED] was then derived by calculating a member weighted average of the monthly 2022 adjusted average age factors.

Exhibit 17.1: Historical Adjusted Average Age Factors

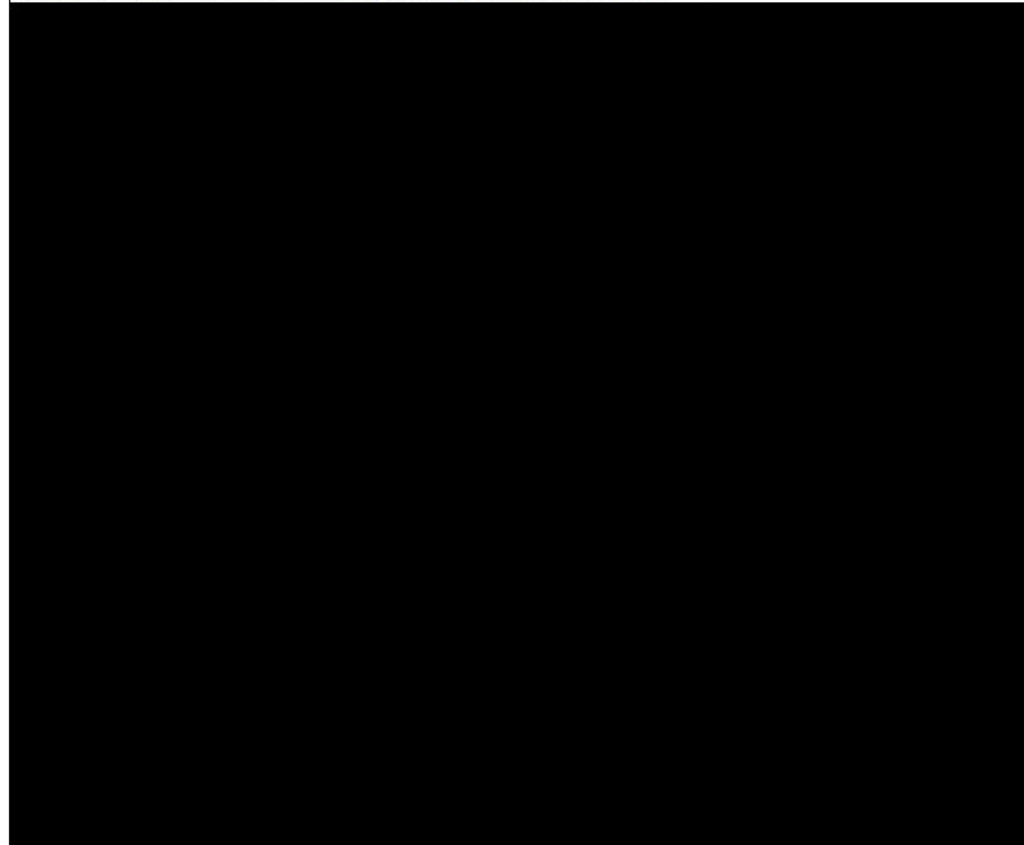
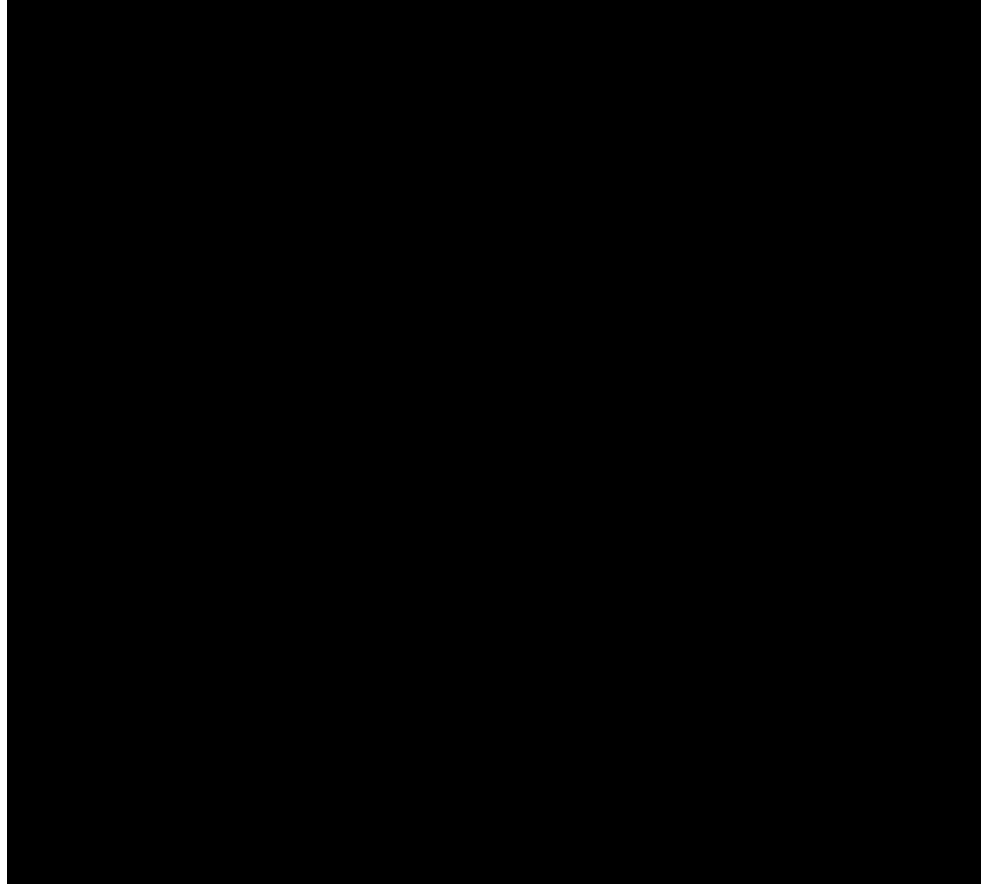


Exhibit 17.2: Projected Adjusted Average Age Factors



2022 Projection Period Average Age Calibration Factor = [REDACTED]

Area Calibration:

The plan adjusted index rates were also calibrated for the projected average geographic area factor of [REDACTED]. The details of the development of BCBSAL's projected Individual 2022 average area factor of [REDACTED] are shown in Section 7.

Tobacco Calibration

The plan adjusted index rates were also calibrated for the projected average tobacco factor of [REDACTED]. The details of the development of BCBSAL's projected Individual 2022 average tobacco factor of [REDACTED] are shown in Section 7.

Calibrated Plan Adjusted Index Rates

The calibrated plan adjusted index rate is the plan adjusted index rate divided by the product of the age curve calibration, area calibration, and tobacco calibration factors. Exhibit 17.3 shows the calculation of the calibrated plan adjusted index rates, which equal the 21 year old, rating area 3 (i.e., Birmingham – MSA which has an area factor of 1.000), non-tobacco premium rates for each plan. The Calibrated Plan Adjusted Index Rates in Exhibit 17.3 do not match exactly to the Calibrated Plan Adjusted Index Rates in the URRT due to URRT rounding requirements.

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

Section 18: Consumer Adjusted Premium Rate Development

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

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

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

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



Applicable Rating Factors

Area Premium Factors: The rating areas used are the Alabama geographic rating areas listed in the State of Alabama Department of Insurance Bulletin No. 2013-04, attached in the Appendix of this memorandum. Area premium factors are shown in Exhibit 18.1

Exhibit 18.1: Rating Area Premium Factors		
MSA	Rating Area	Factor
Anniston-Oxford, AL	Rating Area 1	
Auburn-Opelika, AL	Rating Area 2	
Birmingham-Hoover, AL	Rating Area 3	
Columbus, GA-AL	Rating Area 4	
Decatur, AL	Rating Area 5	
Dothan, AL	Rating Area 6	
Florence-Muscle Shoals, AL	Rating Area 7	
Gadsden, AL	Rating Area 8	
Huntsville, AL	Rating Area 9	
Mobile, AL	Rating Area 10	
Montgomery, AL	Rating Area 11	
Tuscaloosa, AL	Rating Area 12	
Non-MSA Area, AL	Rating Area 13	

Age Premium Factors: BCBSAL is using the age rating curve established in the State of Alabama Department of Insurance Bulletin No. 2020-17, which is for the 2021 plan year and all further plan years until listed otherwise. Exhibit 18.2 shows the 2022 age rating factors.

Exhibit 18.2: Age Premium Factors			
Age	2022	Age	2022
0-14	0.635	40	1.278
15	0.635	41	1.302
16	0.635	42	1.325
17	0.635	43	1.357
18	0.635	44	1.397
19	0.635	45	1.444
20	0.635	46	1.500
21	1.000	47	1.563
22	1.000	48	1.635
23	1.000	49	1.706
24	1.000	50	1.786
25	1.004	51	1.865
26	1.024	52	1.952
27	1.048	53	2.040
28	1.087	54	2.135
29	1.119	55	2.230
30	1.135	56	2.333
31	1.159	57	2.437
32	1.183	58	2.548
33	1.198	59	2.603
34	1.214	60	2.714
35	1.222	61	2.810
36	1.230	62	2.873
37	1.238	63	2.952
38	1.246	64 and older	3.000
39	1.262		

Tobacco Use Premium Factor: BCBSAL will apply a rating factor of [REDACTED] for tobacco users.

As federal law has raised the age at which one can buy tobacco from 18 to 21, members under the age of 21 will all be considered non-tobacco users for rating purposes in 2022.

Family premiums will equal the sum of individual Consumer Adjusted Premium Rates calculated using the appropriate Calibrated Plan Adjusted Index Rates and the rating factors above, with the total premium charged to a family for child dependents under age 21 capped at the sum of the individual Consumer Adjusted Premium Rates for the three oldest child dependents under age 21.

Section 19: Projected Loss Ratio

The projected ACA loss ratio for BCBSAL’s 2022 Individual Market excluding grandfathered products is calculated below consistent with the federally prescribed MLR methodology of 45 CFR Part 158, §158.221.

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

Exhibit 19.1 lists the variables, definitions, the values taken from BCBSAL’s projections for its 2022 Individual Market excluding grandfathered products, and the MLR Result.

Exhibit 19.1 reflects the adjustments made for the 2022 unfunded CSR.

Exhibit 19.1: MLR Variables, Definitions, Values, and MLR Result		
Variable	Definition	Estimated Value
i	Incurred claims	
q	Expenditures on quality improving activities	
s	Transitional reinsurance receipts	
n	Risk corridor and risk adjustment related payments	
r	Risk corridor and risk adjustment related receipts	
n - r	Net federal risk adjustment transfers	
p	Earned premiums	
t	Federal and State taxes and assessments	
f	Licensing & regulatory fees, incl. transitional reins. contributions	
t + f	Taxes & Fees, incl. transitional reins. contributions	
c	Credibility adjustment	
	MLR Result¹	

¹MLR 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 whether an acceptable alternative methodology was used to generate the AV Metal Value of one or more plans is provided below in Exhibit 20.1.

Exhibit 20.1: Individual Market – AV Metal Values				
Plan Name ^{1, 2}	Metal Level	AV Metal Value	Entirely Based On AV Calculator ³	AV Calculator Screenshot

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

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

³ Required details of the alternative methodology used are described in BCBSAL's filed document titled, "Blue Cross and Blue Shield of Alabama, 2022 Actuarial Certification of Actuarial Values, Small Group and Individual Markets"

Section 21: Membership Projections

Exhibit 21.1: 2022 Member Month Projections							
			Standard Plans		Variation Plans - FPL		
Plan	Metal	Total	Off Exchange	On Exchange	100-150 of FPL	150-200 of FPL	200-250 of FPL
[Redacted Data]							

Development of Membership Projections

Membership projections (as shown in Exhibit 21.1) were developed using actual enrollment data through May 2021 and modeling monthly enrollment through December 2022, considering new enrollment rates and termination rates.

Membership projections were modeled separately for On Exchange and Off Exchange.

New enrollment rates and termination rates were based on consideration of historical data.

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted] Any new members were expected to be more likely to enroll through the Exchange due to the availability of premium subsidies and cost sharing reductions (CSR). Considerations for termination rates included the availability of subsidies and CSRs on the Exchange as well as the 90-day grace period.

Section 22: Terminated Plans and Products

No plans have been terminated prior to January 1, 2022 that have experience included in the Single Risk Pool during the experience period.

Section 23: Plan Type

[Redacted text block]

[Redacted text block]

[Redacted text block]

Section 24: Reliance

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

- Milliman Health Cost Guidelines, Managed Care Rating and Rx Rating Models, health and prescription drug pricing models leased by BCBSAL and adjusted to BCBSAL experience when appropriate.
- Prime Therapeutics, BCBSAL's Pharmacy Benefit Manager (PBM), provided input on drug pricing.
- Centers for Medicare and Medicaid Services (CMS) – EDGE server reports supporting ACA Risk Adjustment and High Cost Risk Pool Charges.
- CMS Risk Adjustment transfer reports for 2014 - 2020 were used to help develop risk adjustment transfer assumptions in the projection period.
- Alabama Department of Insurance – Individual risk adjustment transfer estimates and the number and name(s) of the new entrant(s) to the market in 2022.
- State of Alabama Bulletin Nos. 2013-04 and 2020-17 regarding geographic rating areas and age curve.
- HHS Notice of Benefit and Payment Parameters for 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 the applicable Actuarial Standards of Practice,
 - (c) reasonable in relation to the benefits provided and the population anticipated to be covered, and
 - (d) neither excessive nor deficient,
- (2) The Index Rate and only the allowable modifiers as described in 45 CFR §156.80(d)(1) and §156.80(d)(2) were used to generate plan level rates. A plan level adjustment to QHP plans for CSR funding was considered an allowable modifier under §156.80(d)(2)(i),
- (3) The geographic rating factors reflect only differences in the costs of delivery and do not include differences for population morbidity by geographic area, and
- (4) The Actuarial Value Calculator was used to determine the AV Metal Values shown in Worksheet 2, Section I of the Part I Unified Rate Review Template for all plans except those specified in the certification. For plans where an alternate methodology was used to calculate the AV Metal Value, the Actuarial Certification submitted in June 2021 with the corresponding QHP form filing and required by 45 CFR §156.135 provides the necessary documentation and signature.

This memorandum and accompanying articles simultaneously satisfy the filing requirements of the ACA, and the filing requirements of the State of Alabama. Additionally, the premium rates supported by this memorandum assume that the federal government will not fund the CSR program in 2022. If certainty of funding of the CSR program is provided, the premium rates will need an adjustment. The premium rates supported by this memorandum also assume that significant opportunities for adverse selection are not created by the "Updating Payment Parameters, Section 1332 Waiver Implementing Regulations, and Improving Health Insurance Markets for 2022 and Beyond Final Rule". The premium rates could need to be changed based on the Final Rule of this regulation.

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

