

BlueCross BlueShield of Tennessee, INC

Actuarial Memorandum for Rates Effective 1/1/2027

Non-SHOP Small Group Plans

Products and Plans:

BlueCross SG Bronze

Bronze 77, Bronze 81 - 94

BlueCross SG Silver

Silver 186 - Silver 187, Silver 201, Silver 213, Silver 215 - Silver 216, Silver 219 –
Silver 220, Silver 222 - Silver 223, Silver 225 - Silver 226, Silver 228, Silver 233 - Silver
248

BlueCross SG Gold

Gold 111, Gold 115, Gold 125, Gold 135 - Gold 136, Gold 142, Gold 149, Gold 151,
Gold 155 - Gold 171

BlueCross SG Platinum

Platinum 40 - Platinum 48

Company Identification

Company Legal Name: BlueCross BlueShield of Tennessee, Inc.

State: Tennessee

HIOS Issuer ID: 14002

Market: Small Group

Effective Date: Policy Anniversaries 1/1/2027 through 12/31/2027

Company Contact

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1. General Information

The purpose of this actuarial memorandum is to demonstrate the compliance of the premium rates associated with Qualified Health Plans and Small Group Health Plans offered by BlueCross BlueShield of Tennessee (BCBST), HIOS issuer ID 14002, outside of the Federally Facilitated Small Business Health Options Program (SHOP) Exchange for all regions of the state of Tennessee with the requirements described by 45 CFR 156.80.

Worksheet 2 of the Unified Rate Review Template (URRT) provides information related to the calculation of the Plan Adjusted Index Rate for all plans to be offered by BCBST in this market in Tennessee.

The Rates Table Templates show all available Consumer Adjusted Premium Rates available for each quarter in 2027.

This filing is compliant with the single risk pool requirements in 45 CFR part 156, § 156.80(d). The single risk pool reflects all covered lives for every Small Group BCBST non-grandfathered product/plan combination in Tennessee.

BCBST reserves the right to revise rates if new information indicates current rates are either deficient or excessive, including but not limited to the first Wakely Risk Adjustment Report for 2026.

2. Proposed Rate Change

The rate change proposed in this filing is an average [REDACTED] of [REDACTED], not including the impact of aging. The increase is primarily driven by:

- The rising cost of medical services.
- A deterioration of the market level risk.
 - o Due to expected migration to the level funding market.
- Each individual will also see additional rate changes due to aging. Rate changes vary by plan due to variation in the expected paid to allowed ratio by plan design.

3. Experience Period Premiums and Claims

The experience period was based on incurred dates between 1/1/2025 and 12/31/2025, paid through 4/30/26. The current enrollment included in Worksheet 2 is as of 4/30/2026. The tables below show Incurred (Paid) and Allowed claims amounts as well as premiums in the experience period, as of the paid date.

Incurred (Paid) Claims Amount in the Experience Period	
Claims Processed by BCBST	██████████
Claims Processed Outside the BCBST Claim System	██████████
Claims Incurred but Not Reported as of 4/30/26	██████████
Total Estimated Paid Amounts	██████████
Allowed Claims Amount in the Experience Period	
Claims Processed by BCBST	██████████
Claims Processed Outside the BCBST Claim System	██████████
Claims Incurred but Not Reported as of 4/30/26	██████████
Total Estimated Allowed Amounts	██████████
Premiums in Experience Period	
Premiums Earned in the Experience Period	██████████

Claims Processed Outside the BCBST Claims System represent payments for prescription drug coverage by contracted Pharmacy Benefit Managers net of pharmacy rebates and payments for pediatric vision coverage by contracted Vision Vendor.

Allowed Claim Amounts are the total allowable reimbursements for covered expenses as captured directly from claim payment records.

Incurred but Not Reported Claims are based on completion factors developed using BCBST Marketplace and Non-Marketplace claims. Standard Actuarial Valuation methodology based on analysis of historical relationships of the timing of claim incurred dates and payment dates was used to develop the completion factors. The same completion factors were used for both Allowed Claims and Incurred (Paid) Claims. The Incurred But Not Reported claims for the experience period are consistent with historical Incurred But Not Reported amounts and were neither unusually high nor unusually low.

4. Benefit Categories

Claims in Worksheet 1, Section II are assigned Benefit Categories using the following methodology:

- Inpatient: Non-Capitated costs billed by a facility for covered services related to a stay in the facility of at least twenty-four hours. Utilization measured by admits.
- Outpatient: Non-Capitated costs billed by a facility for covered services associated with a stay of less than twenty-four hours. Utilization measured by visits.
- Professional: Non-Capitated costs billed by a healthcare practitioner rather than a facility, for covered services not included in the “Other Medical” category. Utilization measured by visits.
- Other Medical: Non-Capitated costs for covered services associated with Ambulance, Home Health Care, Hospice, Durable Medical Equipment, Prosthetics, Medical Supplies, and Pediatric Dental. Utilization non-standard, thus labeled ‘Other’ in the URRT.
- Capitation: Includes all services provided under one or more capitated arrangements. Utilization non-standard, thus labeled ‘Other’ in the URRT.
- Prescription Drug: Costs for covered drugs dispensed by a pharmacy net of drug rebates. Utilization measured by prescriptions.

5. Projection Factors

Trend Factors:

Trend factors were used to project the experience period costs to the rating period. Trend factors were developed based on projections of historical utilization and unit cost change patterns. Utilization projections are based on BCBST Group Insured claims adjusted for expected effects of internal and external factors that affect utilization, such as medical management initiatives and changes to the global economic environment. Historical unit cost change patterns are projected with adjustments applied to recognize anticipated network contract and mix changes.

Data was normalized to neutralize the effects of population demographic changes and the effects of utilization changes attributable to variations in the benefit coverage. Adjustments were also applied to neutralize the effects of varying seasonality patterns and non-recurring one-time events.

Morbidity Adjustment

Claims costs were adjusted for the expected morbidity of new and existing members. The [REDACTED] morbidity adjustment is driven primarily by a deterioration of the market level risk due to expected migration to the level funding market.

Demographic Shift

Age, gender, and region mix in the projection period were assumed to be the same as the experience period population.

Plan Design Changes

Experience period claims were adjusted to recognize the effect of benefit changes to the offered plans.

Other Adjustments

Claims in the experience period were adjusted to account for the difference in the impact of one-time events between the experience period and the projection period.

6. Manual Rate Adjustments

BCBST Small Group experience is of sufficient volume and consistency with basic coverage elements to be considered credible without additional manual rate adjustment. No additional manual rate was developed.

7. Credibility of Experience

The exhibited BCBST Small Group experience represents more than [REDACTED] in allowed claims for approximately [REDACTED] member months. The projected population is consistent with the experience population in regards to covered benefits, demographics, and geography. For these reasons, the experience is sufficiently credible. Applicable actuarial standards, including Actuarial Standard of Practice #25, were considered in forming this opinion.

8. Index Rate

The Index Rate for the Experience Period is [REDACTED] and is established in accordance with 45 CFR 156.80(d)(1). The index rate represents the estimated total allowed claim experience PMPM for Essential Health Benefits for all non-grandfathered Small Group BlueCross BlueShield of Tennessee plans. It has not been adjusted for payments and charges under the risk adjustment program or for Exchange User or Reinsurance fees.

During the experience period, a benefit in addition to EHB, acupuncture, was covered. An adjustment was made to exclude those claims from the index rate.

The projected index rate includes quarterly trend adjustments and the overall projected index rate is the member weighted average of the quarterly projected index rates. The table below shows the projected index rate for each quarter as well as the combined weighted average projected index rate.

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Quarterly Projected Index Rate	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Expected Member Months	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Weighted Average Projected Index Rate	[REDACTED]			

9. Market Adjusted Index Rate

The Market Adjusted Index Rate is the Projected Index Rate adjusted for all allowable market-wide modifiers defined in the market rating rules, 45 CFR 156.80(d)(1). These market level adjustments are on an allowed basis since the index rate represents allowed claims. The table below illustrates this calculation.

Projected Index Rate	████████
Expected Risk Adjustment PMPM	████████
Exchange User Fee for all Members	████████
Market Adjusted Index Rate	████████

Reinsurance

Due to the 12/31/2016 termination of the Reinsurance program, no adjustments were applied for Reinsurance Contributions.

Risk Adjustment Payment/Charge

In accordance with the HHS payment transfer formula, the BCBST risk adjustment estimate is based on expected future market dynamics. Total Market membership and the proportion expected to enroll in BCBST are projected. Then, risk scores are estimated for each future enrollee in the Small Group ACA market. The overall risk score for BCBST is compared to the overall risk score in the expected market. The variance between BCBST risk scores and other issuers in the market is used to calculate the risk transfer payment.

Under the single risk pool pricing requirements, adjustments for expected Risk Adjustment payments (or charges) including the high cost pool adjustment and any assessment to pay for those claims, are to be made as a market-wide adjustment to the projected Index Rate. The expected risk adjustment payment was “grossed-up” to be on an allowed basis in order to be applied appropriately to the Index Rate when developing the Market Adjusted Index Rate.

Exchange User Fee

BCBST no longer offers On-SHOP plans, so the Exchange User Fee is zero for 2027.

10. Plan Adjusted Index Rate

To reflect costs associated with a specific plan, the Market Adjusted Index Rate was adjusted for all allowable plan modifiers as defined in the market rating rules, 45 CFR 156.80(d)(2). These adjustments recognize the impact of benefit design on allowed costs by using continuance tables to reflect the value of deductibles and cost sharing maximums as well as by recognizing utilization variation solely driven by relative cost sharing differences. In addition, the Market Adjusted Index Rate was adjusted to recognize cost differences produced by provider network arrangements and benefits in excess of the essential health benefits. Lastly, the Market Adjusted Index Rate was adjusted for administrative costs, taxes and fees (excluding Exchange User Fees), and contribution to surplus.

11. Calibration

Age Curve Calibration

A calibration factor was necessary in order to calculate Consumer Adjusted Premium Rates using the allowable federal age factors. This calibration factor does not vary by plan. The methodology employed in the calculation of the average age and the calibration to the age curve complies with the standard age curve methodology. Further information regarding age calibration, including recognition of the effects of the three-child rule can be found in Appendix A.

Geographic Factor Calibration

factors equals 1.0

Geographic rating factors were developed to reflect differences in the cost of healthcare service delivery across rating areas. The development of these factors is based on observed regional cost differences, including variation in unit costs, provider contracting, and practice patterns, with adjustments for expected future changes in network contracts. The observed cost differences were adjusted for regional variances in population morbidity, demographics, and plan design mix so as to only reflect variation in delivery costs.

Tobacco Use Rating Factor Calibration

Tobacco Use Rating Factor Calibration is not applied since Tobacco Use Rating Factors are not used.

12. Consumer Adjusted Premium Rate Development

The allowable consumer level modifiers that were used in determining Consumer Adjusted Premium Rates were geographic area and the applicable federal age curve. No modifier was used to differentiate the tobacco status of the consumer.

Since the Plan Adjusted Index Rates reflect the member weighted average premium over the calendar year, adjustment factors were used when calculating the Consumer Adjusted Premium Rates to reflect the appropriate quarter.

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Market Adjusted Index Rate	██████	██████	██████	██████
Quarterly Adjustment Factor	██████	██████	██████	██████
Quarterly Market Adjusted Index Rate	██████	██████	██████	██████

Example Consumer Adjusted Premium Calculations

** Rates shown are for Quarter 1, Area 1, and Age 40

HIOS ID	Market Adjusted Index Rate	Pricing Value	Age Calibration	Geographic Calibration	Area Factor	Age Factor	Consumer Adjusted Premium Rate
14002TN0191101	██████	██████	██████	██████	██████	██████	██████
14002TN0190553	██████	██████	██████	██████	██████	██████	██████
14002TN0190055	██████	██████	██████	██████	██████	██████	██████
14002TN0190463	██████	██████	██████	██████	██████	██████	██████

13. Non-Benefit Expenses and Profit & Risk

Administrative Expense Load

Projected 2027 Corporate Administrative Expenses and corporate overhead dollars were allocated to the group insured business as a fixed dollar PMPM according to the proportion of expenses and overhead attributable to the administration of this coverage. Those PMPMs were then converted to a percentage of premium according to the expected premium for the plan. That constant percentage was applied to the premium for each plan as part of the administrative expense load.

Projected broker commissions were attributed to each plan as a fixed dollar PMPM. Those PMPMs were then converted to percentage of premiums according to the expected premium for plan. That constant percentage was applied to the premium for each plan as part of the administrative expense load.

Contribution to Surplus

The Plan Adjusted Index Rates were adjusted to reflect a [REDACTED] Contribution to Surplus to reflect amounts deemed necessary to support long-term corporate sustainability of this line of business. That percentage was applied to the premium for each plan as part of the profit and risk load. The resulting loss ratios from this Contribution to Surplus satisfy the ACA MLR requirements.

Taxes and Fees

The taxes and fees included in the rating are shown in the table below:

Risk Adjustment User Fee / Comparative Effectiveness Fee	[REDACTED]
State Premium Tax	[REDACTED]
Federal Income Tax	[REDACTED]
Taxes and Fees	[REDACTED]

14. Projected Loss Ratio

Using the Federally prescribed MLR methodology, the market average Projected Loss Ratio is [REDACTED], which is compliant with the 80% Federal MLR requirement found in PHSA 2718. Please reference the table below for more information.

Projected Incurred Claim PMPM	[REDACTED]
Projected Exchange User Fee	[REDACTED]
Projected Expense	[REDACTED]
Projected Taxes and Fees	[REDACTED]
Projected Contribution to Surplus	[REDACTED]
Risk Adjustment Transfer Amount	[REDACTED]
Projected Gross Premium	[REDACTED]
Projected Actual Loss Ratio	[REDACTED]
Quality Improvement*	[REDACTED]
Projected Federal MLR	[REDACTED]

* Quality Improvement based on the estimate for 2025

15. AV Metal Values

AV Metal Values were based on the 2027 HHS AV Calculator revised 2/25/2026. For non-standard benefits that could not be handled by the AV Calculator, an adjustment to the AV Metal Value was made using the method described in 45 CFR 156.135. Refer to Appendix B for AV Metal Values by plan.

16. Membership Projections

The membership projections found in the URRT worksheet 2 are based on a projected BCBST Small Group membership that is [REDACTED] lower than that of the single risk pool. The 2027 projected membership increase is driven by an increase in the single risk pool membership observed in 2026. The membership change is calculated as the projected 2027 member months divided by the experienced 2025 member months for the entire single risk pool. Total projected enrollment was allocated to the plan level using the current distribution of small group membership by area, network, and metallic level.

17. Terminated Plans and Products

Appendix C provides a summary of the plan mapping for terminated plans under Product ID 14002TN019.

18. Plan Type

Plan types listed in the drop-down box in Worksheet 2 provide an accurate reflection of the BCBST Small Group plans.

19. Effective Rate Review

Because no aspects of the rate basis for the plans associated with this filing were identified as being inadequately addressed in this document, no items beyond the scope of the information required for the URRT have been added in this section.

20. Reliance

In preparing the URRT, the certifying actuary relied on information and assumptions developed and prepared by the internal BCBST Actuarial staff, other internal BCBST departments, and external sources (such as Wakely Consulting).

21. Actuarial Certification

In addition to other stated functions, this document is intended to provide Actuarial Certification for the following:

- The Projected Index Rate is:
 - In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80 and 147.102)
 - Developed in compliance with the applicable Actuarial Standards of Practice
 - Reasonable in relation to the benefits provided and the population anticipated to be covered
 - Neither excessive nor deficient
- The Index Rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 45 CFR 156.80(d)(2) were used to generate plan level rates.

- The 2027 HHS AV Calculator released 2/25/2026 was used to determine the AV Metal Values shown in Worksheet 2, Part 1 of the Unified Rate Review Template. Using the method described in 45 CFR 156.135 adjustments were made for plan design elements that could not be handled by the HHS AV Calculator.
- The geographic rating factors reflect only differences in the costs of delivery and do not include differences for population morbidity by geographic area.
- Rates were developed in accordance with the appropriate Actuarial Standards of Practice and the profession's Code of Professional Conduct.
- Per Tennessee Rule 0780-01-93, the described rates are not unreasonable in relation to the benefits provided.
- The actuarial data and experience shall be maintained by the company (BCBST) and is available for review by the Commissioner of Insurance upon request.
- This certification has been prepared to demonstrate compliance with regulatory authority and is not intended for any other purpose.

I, Jonathan Jockers, am a member of the American Academy of Actuaries, in good standing, and have the education and experience necessary to perform the work.



Jonathan Jockers, FSA MAAA
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