

BLUE CROSS AND BLUE SHIELD OF FLORIDA, INC
Actuarial Memorandum
CONFIDENTIAL TRADE SECRET PURSUANT TO S. 624.4213, F.S.

Florida OIR Form Numbers BOPQ.IU.BB 0516, BSEQ.IU.BB 0516

1. General Information

Company Identifying Information

Company Legal Name: Blue Cross and Blue Shield of Florida, Inc. (BCBS)

State: Florida

HIOS Issuer ID: 16842

Market: Individual

Effective Date: January 1, 2027

Company Contact Information

Primary Contact Name: [REDACTED]

Primary Contact Phone: [REDACTED]

Primary Contact Email: [REDACTED]@bcbsfl.com

2. Proposed Rate Action

Reason for Rate Change

An average rate [REDACTED] is proposed for all Blue Cross and Blue Shield of Florida, Inc. products that are fully-compliant with the Patient Protection and Affordable Care Act (ACA). The proposed rate changes are due to the following reasons:

- **Market Risk** [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
- **Medical Inflation (Trend)**
 - Medical Trend: Combined effect of medical provider price increases, utilization changes, medical cost shifting, specialty pharmacy, and new medical procedures and technology.
 - Insurance Trend: Impact of leveraging on plans with fixed dollar cost shares.
- **Prospective changes to covered benefits**
[REDACTED]
[REDACTED]
[REDACTED]
- **Risk Adjustment Transfer**
 - Changes in 2027 to the CMS Risk Adjustment coefficients.
- **Taxes and Fees**
 - Change in the Risk Adjustment User Fee to \$0.18 PMPM from \$0.20 PMPM.
 - Change in the Patient-Centered Outcomes Research Institute (PCORI) fee estimated at [REDACTED]
 - Change in the Exchange User Fee (EUF) from 2.5% to 1.9%.

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- **Cost Share Reduction (CSR) Payments**
 - Federal CSRs are assumed to not be paid in 2027.

[REDACTED]

3. Experience and Current Period Premium and Claims

The experience shown is for BCBS Individual Under 65 ACA policies for calendar year 2025, reported as of [REDACTED]

Paid Through Date

The claims paid-through date is [REDACTED]

Current Date

The current enrollment and premium are as of [REDACTED]

Premiums (Net of MLR Rebate) in Experience and Current Period

Earned premiums for BCBS Individual Under 65 ACA business are provided in Exhibit I. The premium amounts come directly from BCBS's data warehouse.

Allowed and Incurred Claims Incurred During the Experience Period

Allowed and Incurred claims for BCBS Individual Under 65 ACA business are provided in Exhibit II.

Method Used to Determine 2025 Total Allowed Claims

The allowed claims come directly from BCBS's data warehouse.

Incurred But Not Paid Claims

- Claim liabilities and reserves are determined by standard lag procedures.
- Historical claims, including the experience period claims, were used to develop completion factors.
- [REDACTED]

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4. Benefit Categories

Claims are assigned to the benefit categories as follows:

- Inpatient Hospital:
 - Institutional claims (Acute Care Hospital) resulting in an inpatient stay.
 - The unit used for inpatient hospital is days.
- Outpatient Hospital:
 - Institutional claims (Acute Care Hospital, Emergency Room, and Ambulatory Surgery Centers) not classified as Inpatient Hospital and not resulting in an inpatient stay.
 - The unit used for outpatient hospital is services.
- Professional:
 - Professional claims including: physician MD, physician osteopath, chiropractor, podiatrist, psychiatrist, psychologist, multiple healing arts, certified nurse anesthetist, physician assistant, and nurse practitioner.
 - The unit used for professional is services.
- Other Medical:
 - All institutional and professional claims not classified above as inpatient hospital, outpatient hospital, or professional.
 - The unit used for other medical institutional is cases and the unit used for other medical professional is services.
- Capitation:
 - Includes all payments provided under capitated arrangements.
 - The unit for capitation is benefit period (12 months).
- Prescription Drug:
 - Retail pharmacy claims.
 - Pharmacy rebates.
 - The unit used for prescription drug is scripts normalized for days supply.

5. Projection Factors

Changes in the Morbidity of the Population Insured

The population risk morbidity factor used to develop the Projected Index Rate is shown in Exhibit VII. [REDACTED]

Changes in Essential Health Benefits

Changes in benefits due to the coverage of Essential Health Benefits are reflected in the Projected Index Rate and are shown in Exhibit III.

Changes in Demographics

Changes in demographics used to develop the Projected Index Rate are reflected in the demographic shift in Worksheet 1 of the URRT and shown in Exhibit V.

Other Adjustments

Other adjustments used to develop the index rate for the projection period are provided in Exhibit V.

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Trend Factors (Cost/Utilization)

Annual medical and pharmacy trend factors are illustrated in Exhibit IV. [REDACTED]

[REDACTED] Cost and utilization trends are applied by benefit category for the 24 months from the midpoint of the experience period (July 1, 2025) to the midpoint of the benefit period (July 1, 2027). Cost and utilization trends are assumed to be [REDACTED] and are displayed on Worksheet 1 of the URRT.

6. Credibility of Experience

The BCBS Individual Under 65 ACA block had approximately [REDACTED] policyholders in force as of December 31, 2025. As such, our experience is 100% credible, based on the state-used credibility threshold of 2,000 policyholders.

7. Risk Adjustment

[REDACTED]

8. Projected Loss Ratio

The projected loss ratio is [REDACTED] using the federally prescribed MLR methodology as shown in Exhibit VI.

9. Single Risk Pool

Pursuant to 45 CFR 156.80(d), the Single Risk Pool reflects all covered lives for every Individual Under 65 ACA product/plan combination for BCBS.

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10. Index Rate

The Experience Index Rate was calculated as the total combined allowed claims costs for providing Essential Health Benefits (EHBs) for the BCBS Single Risk Pool. The Experience Period Index Rate is consistent with the experience period allowed claims PMPM as shown in Section I of Worksheet 1 of Part I of the Unified Rate Review Template (URRT).

Experience period allowed claims were used in the development of the Projection Period Index Rate. The Projection Period Index Rate is [REDACTED], and it reflects the anticipated claim level of the projection period with respect to trend, benefits, and demographics. The adjustments to the Experience Period PMPM to get to the Projection Period Index Rate development are illustrated in Section II of Worksheet 1 of the URRT and in Exhibit V.

11. Market Adjusted Index Rate

The BCBS Market Adjusted Index rate was calculated as the Projected Index Rate adjusted for all the allowable market-wide modifiers defined in the market rating rules, 45 CFR 156.80(d)(1):

- Risk Adjustment – See Section 7 of the Actuarial Memorandum.
- Exchange User Fee adjustment – Assumed [REDACTED] of projected revenue will be from on exchange business.

Section II of Worksheet 1 of the URRT illustrates how the allowable market-wide modifiers were applied to the Projected Index Rate to develop the Market Adjusted Index Rate. Similar to the Projected Index Rate, the Market Adjusted Index Rate reflects the average demographic characteristics of the Projected Single Risk Pool. In other words, the Market Adjusted Index Rate is not calibrated.

The Market Adjusted Index Rate reflects claim costs for EHBs only.

12. Plan Adjusted Index Rate

The Plan Adjusted Index Rates are included in Section III of Worksheet 2 of the URRT.

The Plan Adjusted Index Rate is calculated as the BCBS Market Adjusted Index Rate adjusted for all allowable plan level modifiers defined in the market rating rules, 45 CFR 156.80(d)(2).

The following adjustments are reflected:

- Actuarial value and cost sharing adjustment

[REDACTED]

- Distribution and administrative cost adjustment

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Section III of Worksheet 2 of the URRT illustrates how the Market Adjusted Index Rate was adjusted to arrive at each plan level rate based on the allowable adjustments outlined in 45 CFR 156.80(d). The Plan Adjusted Index Rates reflect the average demographic characteristics of the Single Risk Pool. In other words, the Plan Adjusted Index Rate is not calibrated.

[REDACTED]

[REDACTED]

[REDACTED]

The 2027 BCBS plan offerings consist of the following:

[REDACTED]

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[REDACTED]

13. Calibration

The Age, Geographic, and Tobacco Calibration Factors were applied to the Plan Adjusted Index Rate to determine the Calibrated Plan Adjusted Index Rate.

Age Curve Calibration

The average age associated with the Projected Single Risk Pool is [REDACTED]. The weighted average age curve calibration factor is [REDACTED] and is shown in Exhibit VIII. The standard age curve, with factors detailed in the Notice of Benefit and Payment Parameters, which conforms to the rating rules specified in 45 CFR 147.102, was used to determine the weighted average age factor.

Rows 3.12 to 3.15 of Worksheet 2 of the URRT provide a demonstration of how the Plan Adjusted Index Rate and the Age Calibration Factor were used to generate the schedule of premium rates for each plan. The Age Calibration Factor is constant, i.e., this factor does not vary by plan.

Geographic Calibration

A listing of all geographic rating factors is available in Exhibit VIII.

[REDACTED]

[REDACTED]

The weighted average geographic rating factor associated with the Projected Single Risk Pool is [REDACTED]. See Exhibit VIII for how the projected average geographic factor was calculated.

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Rows 3.12 to 3.15 of Worksheet 2 of the URRT provide a demonstration of how the Plan Adjusted Index Rate and the Geographic Calibration Factor were used to generate the schedule of premium rates for each plan. The Geographic Calibration Factor is constant, i.e., this factor does not vary by plan.

Tobacco Calibration



14. Consumer Adjusted Premium Rate Development

The Consumer Adjusted Premium Rate is the final premium rate for a plan that is charged to an individual or family. The Consumer Adjusted Premium Rate is developed by calibrating the Plan Adjusted Index Rate to the age curve, calibrating for geography, and applying the rating factors specified in 45 CFR 147.102:

- Rating Area
- Age
- Tobacco status
- Dependent Rating
 - Any dependent child age 21 or greater will be rated standard.
 - The 3 eldest 0-20 aged children will be rated standard.
 - Any additional children aged 0-20 will be \$0 premium.
 - Dependents of dependents up to age 18 months are covered.

The allowable rating factors are shown in Exhibit VIII. The factors should be applied to the Calibrated Plan Adjusted Index Rates found in row 3.15 of Worksheet 2 of the URRT to approximate Consumer Adjusted Premium Rates.

15. AV Metal Values

The AV metal values included in Worksheet 2 of the URRT were based entirely on the AV Calculator.



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16. Membership Projections

Florida Blue projected the 2027 Individual Under 65 ACA market membership by taking into account the impact of several provisions of the ACA and existing state law on anticipated enrollment by network, area, and AV metal level.

Members are projected to select a carrier based on several factors including, but not limited to, anticipated price competitiveness, rate stability, and perceived brand value.



Projected % of Total Members (CSR - Zero Cost Sharing)	██████
Projected % of Total Members (CSR - Limited Cost Sharing)	██████
Projected % of Silver Members (CSR - 73% AV Level Silver)	██████
Projected % of Silver Members (CSR - 87% AV Level Silver)	██████
Projected % of Silver Members (CSR - 94% AV Level Silver)	██████

17. Terminated Plans



18. Plan Type

The plan types listed in the drop-down box in Section I of Worksheet 2 of the URRT sufficiently describe the plans included in this filing.

19. Effective Rate Review

Information needed to perform the effective rate review is enclosed in the Actuarial Memorandum, the corresponding Supporting Exhibits, and Part I of the URRT.

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20. Reliance

The signing actuary and their team have performed checks for general reasonableness but have not audited the data and have relied on its accuracy.

BCBS relied on the following data/assumptions to support 2027 rate development:

[REDACTED]

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21. Actuarial Certification

I, [REDACTED], am a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries in good standing.

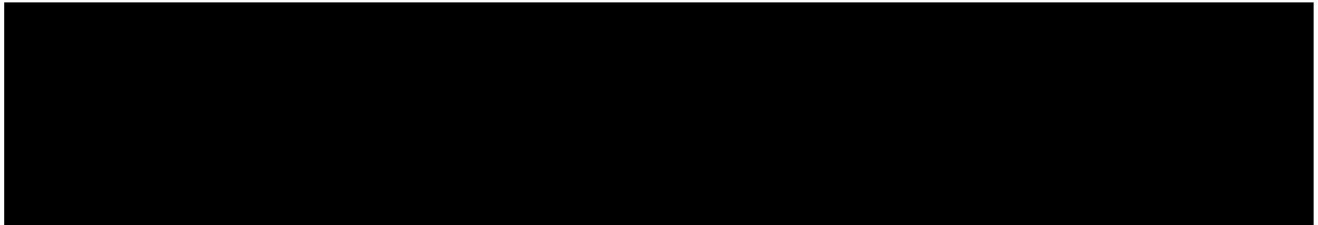
In my opinion the projected Index Rate used in the development of these proposed premium rates:

1. Is in compliance with all applicable State and Federal Statutes and Regulations, including 45 CFR 156.80(d)(1) and 45 CFR 147.102;
2. Was developed in compliance with the applicable Actuarial Standards of Practice;
3. Is reasonable in relation to the benefits provided and the population anticipated to be covered; and
4. Is neither excessive nor deficient.

In my opinion the plan level rates were generated using only the index rate and allowable modifiers as described in 45 CFR 156.80(d)(1), 45 CFR 156.80(d)(2), and 45 CFR 147.102.

In my opinion the geographic rating factors included in Worksheet 3 of Part I of the Unified Rate Review Template reflect only differences in the costs of delivery by rating area, do not include differences for population morbidity by geographic area, and were calculated in accordance with Actuarial Standards of Practice.

In my opinion, the calculations of the adjustments for plan design features deviating substantially from the parameters of the AV calculator to the AV's identified by the calculator were developed in accordance with generally accepted actuarial principles and methodologies and are appropriate for the purpose and are in compliance with 45 CFR Part 156.135(b)(2).



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List of Exhibits

Exhibit	Description	Confidentiality
I	Experience and Current Period Premiums and Enrollment	Trade Secret
II	Total Allowed and Incurred Claims	Trade Secret
III	Changes in Essential Health Benefits	Trade Secret
IV	Trend Factors (Cost/Utilization)	Trade Secret
V	Other Adjustments Summary	Trade Secret
VI	2027 Taxes and Fees and MLR Calculation	Trade Secret
VII	Population Risk Morbidity Adjustment	Trade Secret
VIII	Allowable Rating Factors	Trade Secret
IX(a)	[REDACTED]	Trade Secret
IX(b)	[REDACTED]	Trade Secret
IX(c)	[REDACTED]	Trade Secret
X	Induced Utilization Factors	Trade Secret
XI(a)	Terminated Plans	Trade Secret
XI(b)	New Plans	Trade Secret
XII	[REDACTED]	Trade Secret
XIII	[REDACTED]	Trade Secret