

Part III Actuarial Memorandum

Blue Cross and Blue Shield of Texas Small Group Rate Filing Effective January 1, 2027

Introduction

This actuarial memorandum supports a rate filing submitted on behalf of Blue Cross and Blue Shield of Texas (BCBSTX), a Division of Health Care Service Corporation, a Mutual Legal Reserve Company, an Independent Licensee of the Blue Cross and Blue Shield Association, for its Small Group medical policies.

This memorandum and the accompanying certifications do not guarantee that the proposed rates will be adequate. Rather, they attest that the proposed rates would be adequate if all underlying assumptions are realized. Should any statutes, regulations, court decisions, agency guidance, or administrative interpretations change or be applied differently than assumed, the proposed rates may no longer be adequate. In such circumstances, the proposed rates may require amendment, revision, or withdrawal—whether in whole or in part—if deemed necessary by BCBSTX or the certifying actuary.

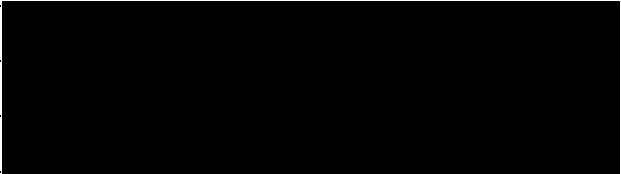
This memorandum has been prepared solely to demonstrate compliance with applicable regulatory requirements, including the Department of Health and Human Services' Part III Actuarial Memorandum and Certification Instructions. It is not intended for, and may not be appropriate for, any other purpose.

4.2 General Information

Company Identifying Information

<i>Company Legal Name</i>	Blue Cross and Blue Shield of Texas
<i>State</i>	Texas
<i>HIOS Issuer ID</i>	33602
<i>Market</i>	Small Group
<i>Effective Date</i>	January 1, 2027

Company Contact Information

<i>Primary Contact Name</i>	
<i>Primary Contact Telephone</i>	
<i>Primary Contact Email</i>	

4.3 Proposed Rate Changes

In this filing, BCBSTX proposes the following rate changes:

- The 2027 Unified Rate Review Template (URRT) average rate action across all quarters is **19.2%**.
- For groups renewing during the first quarter of 2027, the rate action is **18.9%**.

Actual premium rate changes will vary by plan, rating area, and quarter.

The average rate increase is calculated using the 2026 rate tables, the proposed 2027 rate tables, and the membership distribution by plan, age, and area as of April 30, 2026. This methodology excludes both new and discontinuing plans and does not apply any member mapping to alternative plan offerings.

Reason for Rate Increases:

- **Base Period Experience** reflects updated 2026 pricing based on additional experience data and improved insight into how assumptions have emerged. The base experience has runout through April 30, 2026. This update incorporates changes to risk adjustment payment assumptions, specifically BCBSTX's relative population risk compared to the broader market.
- **Pricing Trend** represents the expected increase in claims costs driven by anticipated changes in utilization, unit cost, case mix, and drug rebates.
- **Leveraging & Cost Sharing** reflects projected claim cost changes driven by benefit design updates, fixed cost-sharing impacts, and changes in underlying claim experience and assumptions.
- **Population Morbidity** reflects changes in the expected health status of the single risk pool.
- **Other** includes items not covered above, such as expected changes in 2027 taxes, fees, and administrative expenses relative to the 2026 rate development. Additional detail is provided in Section 4.4.4.

Components of Increase	
Base Period Experience	-0.6%
Pricing Trend	8.1%
Leveraging & Cost Sharing	2.1%
Population Morbidity	5.6%
Other	3.0%
Total	19.2%

The cost relativities among products differ between the experience period and the prospective rating period due to expected non-uniform changes in network reimbursement levels. In

addition, rate variations occur across plans due to differences in cost-sharing structures, which affect leveraging and utilization patterns. As a result, proposed rate changes may vary by rating area, plan, and quarter.

4.4 Market Experience

The single risk pool includes all covered lives for every small group non-grandfathered product/plan combination including transitional products. Transitional product experience has been removed from the experience period and projection period base rate calculations. BCBSTX does not anticipate a significant number of the members in those policies will be enrolled in metallic plans during the projection period.

4.4.1 Experience and Current Period Premium, Claims, and Enrollment

Paid-Through Date:

Claims incurred during calendar year 2025 have been paid through April 30, 2026.

Current Enrollment and Premiums:

Enrollment and premium information are reported as of April 30, 2026.

Allowed and Incurred Claims for the Experience Period:

Allowed claims and incurred claims are sourced from the same underlying data systems and are developed using consistent methodologies. The claims dataset includes only processed claims for groups in the Small Group single risk pool, recognizing that the experience is incomplete as of the paid-through date.

Completion factors are applied to incomplete claims to estimate total allowed and incurred claims for the experience period.

Both allowed and incurred claims are adjusted for drug manufacturer rebates and provider incentives.

The allowed claims incurred during the experience period are as follows:

- Claims incurred and paid through the claim system as of the Paid Through Date: \$5,047,154,500
- Claims incurred and paid outside the claim system as of the Paid Through Date: -\$494,506,905
- Claims incurred but not paid as of the Paid Through Date: \$36,630,781

The incurred claims incurred during the experience period are as follows:

- Claims incurred and paid through the claim system as of the Paid Through Date: \$4,150,075,303
- Claims incurred and paid outside the claim system as of the Paid Through Date: -\$502,822,966
- Claims incurred but not paid as of the Paid Through Date: \$28,407,009

Claims paid outside the claim system consist primarily of drug manufacturer rebates.

The same methodology is used to estimate incurred-but-not-paid (IBNP) claims for both allowed and incurred claims. The approach incorporates:

- Completion factors developed from experience-period claims,
- Adjustments for information not yet reflected in the pricing model, and
- Actuarial judgment applied after evaluating model outputs for reasonableness.

The resulting IBNP estimates are consistent with historical patterns and are not unusually high or low relative to the paid claims observed in the experience period.

Federal MLR Rebates in the Experience Period:

BCBSTX expects to pay \$0 in federal MLR rebates associated with the 2025 incurred year.

4.4.2 Benefit Categories

The claims experience reported in Worksheet 1, Section II, is broken into six standard benefit categories: Inpatient Hospital, Outpatient Hospital, Professional, Other Medical, Capitation and Prescription Drug. Claims are assigned to categories using a combination of claim- and procedure-specific attributes, including but not limited to ICD-9/ICD-10 diagnosis codes, revenue codes, CPT-4 and HCPCS procedure codes, and NDCs. These attributes determine the most appropriate benefit classification for each claim in the experience period.

Benefit Category	Category Description
Inpatient Hospital	Includes non-capitated facility services for medical, surgical, maternity, mental health and substance use disorder treatment, skilled nursing, and other services delivered in an inpatient facility setting and billed by the facility.
Outpatient Hospital	Includes non-capitated facility services provided in an outpatient setting and billed by the facility, such as surgery, emergency services, laboratory, radiology, therapy, observation, and similar services.

Benefit Category	Category Description
Professional	Includes non-capitated services provided by primary care providers, specialists, therapists, and the professional components of laboratory and radiology services. Payments to hospital-employed professionals that are included in facility fees are excluded.
Other Medical	Includes non-capitated services such as ambulance, home health care, durable medical equipment (DME), prosthetics, supplies, vision exams, dental services, and other miscellaneous medical services.
Capitation	Includes all services provided under one or more capitated arrangements.
Prescription Drug	Includes drugs dispensed through a pharmacy. Amounts are reported net of drug manufacturer rebates.

4.4.3 Projection Factors

The projection factors used in the URRT were developed in accordance with Section 4.4.3 of the most recent Unified Rate Review (URR) Instructions.

4.4.3.1 Trend Factors

Trend Factors (Cost and Utilization):

As reported in Worksheet 1 of the URRT, cost and utilization trend factors are shown separately for Year 1 and Year 2:

- Year 1 trends allowed claims incurred 1/1/2025 - 12/31/2025 forward 13 months to the period 2/1/2026 - 1/31/2027.
- Year 2 trends the resulting allowed claims 12 months to the period 2/1/2027 - 1/31/2028.

The annualized trend applied to experience period allowed claims is 7.9%. This differs from the prior filing due to updated emerging experience as well as revised expectations regarding unit cost increases, utilization changes, service mix shifts, and drug manufacturer rebates.

Trend factors are developed using data from BCBSTX's existing insured business in Texas. The underlying dataset consists of PPO group accounts and includes credible experience across major service categories representing inpatient, outpatient, professional, other medical services, and prescription drugs. Service categories are selected to ensure sufficient credibility and to separate materially different encounter types (e.g., emergency room visits, maternity admissions, preventive care).

The source data underlying the trend model has the following adjustments applied:

- Morbidity & Demographic Shifts:

Morbidity is normalized in the trend assumptions using the following steps:

1. Segment members by age bands/sex/condition categories.
2. Measure cost and utilization per person in each segment.
3. Normalize using a standard population to develop normalization factors.
4. Apply those normalization factors to compare fairly across time.

- Network changes:

There is no explicit normalization for changes in network as the trends are derived using group accounts from PPO products. Unit cost projections within the trend projections account for changes in the broad network provider contracts compared to the experience period.

- Days Mix and One-Time Events:

Days mix factors are adjustments to the projection period for anticipated changes in claims due to changes in timing of events. Examples include the number of weekdays in a year, the days on which holidays fall, the impact of holidays on claims, and any one-time events occurring during the base period. The 2025 base period did not have significant one-time events that impacted this filing.

The data selected is appropriate for the single risk pool because the underlying population consists of group business from this issuer within this state. Such data reflects the issuer's medical policy, utilization management practices, provider contracting, and claims adjudication processes, but does not include any effects of medical underwriting. The benefits provided are comprehensive and encompass a broad range of services consistent with essential health benefits (EHBs). Although the underlying data is based solely on PPO products, the resulting trend is appropriate for all BCBSTX Small Group ACA business because the applied network factors adequately account for differences in trend between the PPO anchor network and the other networks.

Small group policies renew throughout the calendar year. To reflect this, BCBSTX trended the experience claims to the middle month of each quarter in the projection period:

- Rates effective 1/1/2027 - 3/31/2027 reflect experience trended to the 12-month period beginning 2/1/2027.
- Subsequent quarters incorporate an additional 3 months of trend.

4.4.3.2 Adjustments to Trended EHB Allowed Claims Per Member Per Month (PMPM)

Morbidity Adjustment:

Anticipated shifts in market-wide population morbidity were applied from the experience to the projection period. In recent years, the size of the Small Group ACA single risk pool has declined driven by lower risk groups shifting toward alternative self-insured products. A Population Morbidity Adjustment of 11.5% was applied to reflect the continuation of this shift in the Small Group market.

Demographic Shift:

This adjustment reflects the changes in allowed costs arising from differences in the age, rating area, provider network, and benefit plan distribution between the experience and projection periods. The Demographic Shift adjustment is -0.8%.

Plan Design Changes:

Adjustments for benefit changes from the experience period to the projection period were developed using an internal pricing model. All benefits covered during the experience period will also be covered during the projection period. The Plan Design Change adjustment is 0.0%.

Other Adjustments:

The Other Adjustment is 1.0% and includes the following components:

- **Unit Cost Network Trends:**

The trends described in Section 4.4.3.1 reflect anchor network assumptions. This adjustment accounts for differences in the projected index rate due to variation in unit cost trend between the anchor network and the overall product portfolio for this filing. The unit cost network trend adjustment is -0.2%.

- **Large Claim Adjustment:**

Large claims in 2025 came in significantly below prior years' experience. BCBSTX expects that in 2027 large claims will return to past levels. The large claim adjustment is 1.0%.

- **AV and Cost-Sharing Normalization Adjustment:**

This reflects the adjustment to align the paid-to-allowed ratio with the AV and Cost Sharing Design values used in rate development. The adjustment includes the benefit richness normalization, the AV normalization, and one month of leveraging. The AV and cost-sharing normalization adjustment is 0.1%.

4.4.3.3 Manual Rate Adjustments

No manual rate adjustments were required because the experience-period claims are considered fully credible as discussed in Section 4.4.3.4.

4.4.3.4 Credibility of Experience

Full credibility has been assigned to the Base Period Experience, with appropriate adjustments to reflect material changes anticipated between the experience period and the projection period. This assignment of full credibility is consistent with Actuarial Standard of Practice (ASOP) No. 25, *Credibility Procedures*. Specifically, Section 3.4, Professional Judgment, states that “...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.”

In addition, relying on the most relevant experience for rate development—namely, BCBSTX’s own Base Period Experience—is consistent with Section 3.3, Selection of Relevant Experience, and is deemed actuarially appropriate. There are no material changes from the credibility procedures used in the prior filing.

4.4.3.5 Establishing the Index Rate

As reported in Worksheet 1 of the URRT, the index rate for this filing is \$1066.31. The index rate represents the estimated total allowed claims PMPM for the single risk pool for EHBs in the Texas Small Group market for the first quarter in which the rates are effective.

For the experience period, the index rate equals the total allowed charges PMPM less coverage for any benefits that exceeded the EHB requirements.

For the projection period, the index rate equals the total expected allowed charges PMPM less coverage for any benefits that exceed the EHB requirements. See Section 4.4.4 for a description of benefits in addition to EHB.

BCBSTX Small Group Quarterly Trend Increases:

These rates reflect allowed-claims trend assumptions that are updated quarterly and are effective through December 31, 2027. The index rate is scheduled to increase 1.78% each quarter.

This quarterly increase to the index rate is distinct from the quarterly premium rate schedule increase, which is described in section 4.4.6.

4.4.3.6 Development of the Market-wide Adjusted Index Rate

The Market-wide Adjusted Index Rate (MAIR) is calculated by adjusting the projection-period Index Rate for all allowable market-wide modifiers defined under the market rating rules, expressed on an allowed (rather than paid) basis by grossing up with the expected paid-to-allowed ratio. The allowed market-wide modifiers include Federal Risk Adjustment and Exchange user fees.

The MAIR is developed by subtracting reinsurance and risk adjustment amounts from the Index Rate and then dividing the result by 1 minus the Exchange user fee percentage. For this filing, the market-wide adjustment for the Exchange fee is assumed to be 0%.

The table below summarizes the development of the projection-period MAIR as shown in Worksheet 1 of the URRT:

	January 1, 2027 Filing Effective Date
Projected Q1 Index Rate	\$1066.31
Reinsurance	\$0.00
Risk Adjustment Payment/Charge	\$7.38
Exchange User Fees	0.0%
Market-wide Adjusted Q1 Index Rate	\$1058.93

Reinsurance:

Neither the Experience Period nor the Projection Period includes reinsurance payments or contributions.

Risk Adjustment Payment/Charge:

Positive values indicate payments to the issuer; negative values indicate payments by the issuer.

The Experience Period Risk Adjustment transfer is based on projected 2025 results expressed as a percentage of premium and allocated across the single risk pool compliant plans.

The 2025 Risk Adjustment Data Validation (RADV) results will not be available until 2027. Because the program is budget-neutral, BCBSTX assumes a \$0 adjustment until additional information becomes available. BCBSTX also assumes that the net High-Cost Risk Pool (HCRP) charge and payments in 2027 will be \$0.

For the 2027 plan year, the projected risk adjustment transfer is set at 0.59% of premium. BCBSTX assumes the relative risk level in 2027 will be similar to 2025.

Transfers were allocated uniformly across all plans as a percentage of premium. For purposes of URRT Worksheet 1, Section II and Worksheet 2, Section IV, the percentage of premium estimate is converted to a market-level dollar amount.

The development of the projected risk adjustment receivable PMPM is shown below:

	January 1, 2027 Filing Effective Date
Projected Average Q1 Premium	\$1016.64
Risk Adjustment % of Premium	0.59%
Risk Adjustment PMPM (Incurred Basis)	\$6.02
Projected Q1 Paid-to-Allowed Ratio	81.5%
Risk Adjustment PMPM (Allowed Basis)	\$7.38

Exchange User Fees:

No BCBSTX Small Group plans are being sold through the Exchange. Under regulation, the Exchange user fee equals 1.5% of premiums sold through the SHOP Marketplace. Because 0% of BCBSTX Small Group business will be sold through the SHOP Marketplace, Exchange user fees are assumed to be 0% of the Small Group single risk pool premium.

4.4.4 Plan Adjusted Index Rate

The Plan Adjusted Index Rate (PAIR) is derived by adjusting the MAIR for all allowable plan-level modifiers as defined under 45 CFR 156.80(d)(2). Only the following adjustments are applied:

- Differences in actuarial value (AV) and cost-sharing design, including a uniform leveraging assumption applied equally across all plans and quarters;
- Differences attributable to the plan's provider network, delivery system characteristics, and utilization management practices;
- Benefits offered under the plan that are in addition to EHBs; and
- Administrative costs, excluding Exchange user fees.

As shown in Worksheet 2 of the URRT, the PAIR is calculated as the MAIR multiplied by the product of the AV and Cost Sharing Design of Plan, Provider Network Adjustment, and Benefits in Addition to EHB components, and then divided by:

$$1 - (\text{Administrative Expense} + \text{Taxes and Fees} + \text{Profit \& Risk Load})$$

Each component is described in detail below.

AV and Cost Sharing Design of Plan:

This adjustment reflects differences in cost sharing and the resulting induced demand associated with each plan design. Paid-to-allowed ratios are calculated using a consistent claim distribution across all plans, ensuring that morbidity variations do not influence plan-level pricing.

The adjustment accounts for both benefit differences and the utilization changes that arise due to cost-sharing variation. Paid-to-allowed ratios represent the percentage of allowed claims expected to be BCBSTX's liability based on plan provisions and a standardized claim mix. These ratios do not reflect differences in health status.

Induced demand factors by metal tier are based on the Federal Benefit Richness curve and are normalized to an average value of 1.0.

Provider Network Adjustment:

Provider network adjustment factors were developed using experience-based, risk-adjusted claims segmented by group rating area and by each distinct provider network product offered. In accordance with applicable Actuarial Standards of Practice, large claimant pooling was applied to stabilize the experience and reduce the influence of atypical high-cost claims.

The pooled, risk-adjusted claims were projected to the rating period, reflecting anticipated changes in provider contracting and normalized for expected differences in benefit design and age mix across network products. To promote premium stability and mitigate undue volatility, constraints were applied to limit year-over-year changes in provider network adjustment factors. Finally, adjustments may be applied to reflect differences in participating providers and health systems across networks and ensure relative pricing is consistent with that observed for comparable products in the market.

Because this methodology relies on risk-adjusted claims experience, the resulting provider network adjustment factors are normalized for morbidity differences across rating areas. Accordingly, these factors are intended to reflect only differences in the cost of delivering covered services attributable to variations in provider network composition and contracting.

Benefits in Addition to EHB:

Texas requires group insurance carriers to provide coverage for in vitro fertilization (IVF) services, which are not considered EHBs under Federal definitions. Because optional riders are not permitted under the URR Instructions, BCBSTX offers mirrored versions of non-IVF plans that include IVF coverage. Each mirrored plan is assigned a unique SCID and includes a plan load factor of 1.362.

Administrative Costs:

Administrative Costs include Administrative Expenses, Taxes and Fees, and Profit & Risk Load. These costs do not vary by metal level and are allocated uniformly as a percentage of premium across all plans.

Administrative Expenses

Administrative expense loads are based on allocated expenses from the current operating model, adjusted for:

- Expected 2027 membership,
- Expected expense inflation, and
- Operational changes arising from regulatory requirements.

All Small Group premiums include a flat commission load reflecting the expected external commission rate and internal distribution expenses. The average expected commission for the pricing period is \$52.16 PMPM. Administrative expenses are allocated uniformly as a percentage of premium across all Small Group products.

Administrative Expense	January 1, 2027 Filing Effective Date
General Administration	3.710% of premium
Quality Initiative Expense	0.396% of premium
Commissions	5.000% of premium
Blue Card Fee	0.205% of premium

Membership assumptions for 2027 are described in Section 4.6.2.

Taxes and Fees

Taxes and fees are allocated uniformly as a percentage of premium across all plans. The following items may be subtracted from premium for MLR calculation purposes:

Tax/Fee	January 1, 2027 Filing Effective Date
State Premium Tax	1.64% of premium
State Assessments	0.04% of premium
Risk Adjustment User Fee	0.02% of premium
PCORI Fee	0.04% of premium

Profit & Risk Load

The target contribution to surplus, inclusive of underwriting margin and additional risk margin, is 4.00% of billed premium. This load does not vary by metal level.

4.4.5 Calibration

Age Curve Calibration:

The approximate age curve calibration factor (ACCF) for the projected single risk pool is 0.6879. This factor was developed using the projected membership for the single risk pool as of April 30, 2026. The index rate incorporates an adjustment to reflect the difference between the projected average age factor and the experience period average age factor.

The age curve calibration factor is calculated as:

$$ACCF = \frac{\sum Mbrs}{\sum Mbrs * AF}, \text{ where:}$$

ACCF = Age Curve Calibration Factor

Mbrs = Projected Members

AF = CMS Rating Age Factor for each subset of members (set to 0 for members not expected to pay premium)

This calibration factor is not plan-specific; the same ACCF is applied uniformly across all plans within the projected single risk pool.

The calculation reflects the impact of uncollected premium for families with more than three dependents under age 21, consistent with federal rating rules.

A demonstration of how the PAIR and the age curve are used to develop the schedule of premium rates for each plan is provided in Section 4.4.6.

Geographic Factor Calibration:

The geographic factors reflect the relative network cost by rating area of the largest (or broadest) network product. The development of these factors was described previously under the provider network adjustment section.

Because this methodology relies on risk-adjusted claims experience, the resulting provider network adjustment factors are normalized for morbidity differences across rating areas. Accordingly, these factors are intended to reflect only differences in the cost of delivering covered services attributable to variations in provider network composition and contracting.

The resulting projected geographic factors are shown in URRT Worksheet 3. The geographic calibration factor associated with the projected single risk pool is 0.8996.

The geographic calibration factor (GCF) is calculated as:

$$GCF = \frac{\sum Mbrs * AF}{\sum Mbrs * AF * GF}, \text{ where:}$$

GCF = Geographic Calibration Factor

Mbrs = Projected member counts

AF = CMS Rating Age Factor for each subset of members (set to 0 for members not expected to pay premium)

GF = Projected geographic factor applicable to each subset of members

The geographic calibration adjustment is applied uniformly across all plans within the projected single risk pool. The calibration is not plan-specific; instead, a single average geographic factor is applied consistently to ensure alignment across all plans in the market.

Tobacco Use Rating Factor Calibration:

BCBSTX Small Group premium rates do not vary by tobacco status. Accordingly, the tobacco use calibration factor is 1.0 for all plans in the projected single risk pool.

4.4.6 Consumer Adjusted Premium Rate Development

The Consumer Adjusted Premium Rate (CAPR) is calculated by applying market-wide calibration adjustments to the PAIR and then applying the individual's age and geographic rating factors. Specifically, the PAIR is multiplied by the age calibration factor, the geographic calibration factor, and the tobacco calibration factor. The resulting calibrated PAIR is then multiplied by the member-specific age factor and geographic factor to determine the individual premium.

Premiums for family coverage are determined by summing the premiums of each covered individual, subject to the regulatory requirement that no more than three child dependents under age 21 are rated.

$$CAPR = PAIR \times \text{Age Calibration} \times \text{Geographic Calibration} \times \text{Tobacco Calibration} \times \text{Age Factor} \\ \times \text{Geographic Factor}$$

Example Q1 2027 Rate Calculation for age 40 in Rating Area 1

Plan: Blue Choice Bronze PPO 833, 33602TX0430052

Plan Adjusted Index Rate: \$859.41

Component	Value
Age Calibration	0.6879
Geographic Calibration	0.8996
Tobacco Calibration	1.0000
Age 40 Factor	1.2780
Rating Area 1 Factor	1.1636

Calculation:

$$\text{CAPR} = \$859.41 \times 0.6879 \times 0.8996 \times 1.0000 \times 1.2780 \times 1.1636 = \$790.81$$

The premium rate displayed in the Rates Template for this individual is \$790.81. Any minimal differences between this illustration and Rates Template values are due to intermediate rounding conventions applied within the URRT and during internal rate development.

Small Group Plan Premium Rates:

Quarterly filed premium rates incorporate allowed claims trend and benefit leveraging. Rates are updated each quarter and remain effective through December 31, 2027. For the projection period, the quarterly rate schedule reflects an increase of 2.00% per quarter.

4.5 Projected Loss Ratio

The projected Medical Loss Ratio (MLR), calculated using the Federally prescribed methodology, is 86.86%. The MLR calculation follows the formula outlined in the *HHS Notice of Benefits and Payment Parameters*.

The MLR is defined as:

$$MLR = \left[\frac{(i + q + n - r)}{\{(p - n + r) - t - f - (-n + r)\}} \right] + c$$

This simplifies to:

$$MLR = \left[\frac{(i + q + n - r)}{\{p - (t + f)\}} \right] + c$$

Where:

- i = incurred claims
- q = expenditures on quality improving activities
- p = earned premiums
- t = Federal and State taxes and assessments
- f = licensing and regulatory fees, including transitional reinsurance contributions

- n = issuer's risk corridors and risk adjustment related payments
- r = issuer's risk corridors and risk adjustment related receipts
- c = credibility adjustment (if any)

The following values were used in the MLR calculation, expressed as a percentage of premium:

Component	Value
i	85.55%
q	0.40%
p	100%
t	1.64%
f	0.09%
n	0.00%
r	0.59%
c	0.00%

$$\left[\frac{(85.55\% + 0.40\% + 0.00\% - 0.59\%)}{\{100\% - (1.64\% + 0.09\%)\}} \right] = 86.86\%$$

Thus, the projected MLR for the filing period is 86.86%, which is greater than the 80.0% minimum requirement.

4.6 Plan Product Information

4.6.1 AV Metal Values

The AV Metal Values included in URRT Worksheet 2, Section I are based entirely on the results produced by the AV Calculator. Although certain member cost-sharing features may not align perfectly with the AV Calculator's parameter structure and therefore may not be fully captured, the impact of these discrepancies is not expected to be material. No plan's metallic tier designation is expected to change as a result.

4.6.2 Membership Projections

The membership projections found in Worksheet 2 of the URRT were developed by applying recent membership trends to the current enrolled population as of April 30, 2026. In recent years, the size of the Small Group ACA single risk pool has declined driven by lower risk groups shifting toward alternative self-insured products.

4.6.3 Terminated Plans and Products

Appendix I includes a table listing all plans that will be terminated prior to January 1, 2027. The appendix identifies any terminated plans that either contributed experience to the 2025 single risk pool or were made available at any point thereafter.

4.6.4 Plan Type

All health plans included in this filing correspond to the plan type categories available in the drop-down selections in Worksheet 2, Section I of the URRT. Each plan has been assigned the appropriate plan type designation consistent with CMS instructions and URRT reporting requirements.

4.7 Miscellaneous Instructions

4.7.2 Reliance

I have relied upon financial data, summaries, and analyses prepared by responsible officers and employees of Health Care Service Corporation. My review included such analysis of the data, methods, and assumptions as I considered necessary for the purposes of this filing. I believe the information relied upon is reasonably accurate and complete for use in projecting premiums and evaluating the reasonableness of the rate development.

4.7.3 Actuarial Certification

I, [REDACTED], am a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries in good standing. I meet the qualification standards of the American Academy of Actuaries to prepare and certify health insurance rate filings, including those for ACA-compliant plans.

This memorandum has been prepared in conformity with the applicable Actuarial Standards of Practice (ASOPs), including:

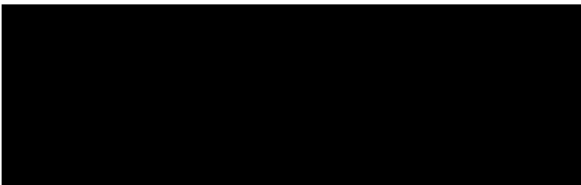
- ASOP No. 1: Introductory Actuarial Standard of Practice
- ASOP No. 5: Incurred Health and Disability Claims
- ASOP No. 8: Regulatory Filings for Health Benefits, Accident and Health Insurance, and Entities Providing Health Benefits
- ASOP No. 12: Risk Classification
- ASOP No. 23: Data Quality
- ASOP No. 25: Credibility Procedures
- ASOP No. 26: Compliance with Statutory and Regulatory Requirements for the Actuarial Certification of Small Employer Health Benefit Plans
- ASOP No. 41: Actuarial Communications
- ASOP No. 50: Determining Minimum Value and Actuarial Value under the Affordable Care Act

I hereby certify, to the best of my knowledge, that:

1. I am a member of the American Academy of Actuaries.
2. 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,
 - d. Neither excessive nor deficient.
3. 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.
4. The percent of total premium that represents essential health benefits included in Worksheet 2, Sections III and IV were calculated in accordance with actuarial standards of practice.
5. The geographic rating factors reflect only differences in the costs of delivery (which can include unit cost and provider practice pattern differences) and do not include differences for population morbidity by geographic area.
6. The AV Calculator was used to determine the AV Metal Values shown in Worksheet 2 of the Part I Unified Rate Review Template for all plans.

The Part I Unified Rate Review Template does not demonstrate the full rate development methodology used by the issuer. Rather, it reflects the information required by Federal regulation to support the review of rate increases and the certification that the Index Rate is developed and applied in accordance with Federal regulation, consistent with permitted modifiers only.

Respectfully submitted,

A large black rectangular redaction box covering the signature area.

Date: June 24, 2026

Appendix I: Terminated Plans and Products

Original Standard Component ID	Original Plan Name	Metal AV	Mapped Standard Component ID	Mapped Plan Name
33602TX0430043	Blue Choice Gold PPO 830	0.810	33602TX0430039	Blue Choice Gold PPO 819
33602TX0430059	Blue Choice Gold PPO 103	0.791	33602TX0430039	Blue Choice Gold PPO 819
33602TX0890015	Blue Choice Gold PPO 830-in vitro	0.810	33602TX0890011	Blue Choice Gold PPO 819-in vitro
33602TX0470587	Blue Advantage Gold HMO 830	0.810	33602TX0470995	Blue Advantage Gold HMO 919
33602TX0470794	Blue Advantage Gold HMO 830	0.810	33602TX0470996	Blue Advantage Gold HMO 919
33602TX0470795	Blue Advantage Gold HMO 830	0.810	33602TX0470997	Blue Advantage Gold HMO 919
33602TX0470796	Blue Advantage Gold HMO 830	0.810	33602TX0470998	Blue Advantage Gold HMO 919
33602TX0470797	Blue Advantage Gold HMO 830	0.810	33602TX0470999	Blue Advantage Gold HMO 919
33602TX0470798	Blue Advantage Gold HMO 830	0.810	33602TX0471000	Blue Advantage Gold HMO 919
33602TX0470799	Blue Advantage Gold HMO 830	0.810	33602TX0471001	Blue Advantage Gold HMO 919
33602TX0470800	Blue Advantage Gold HMO 830	0.810	33602TX0471002	Blue Advantage Gold HMO 919
33602TX0470801	Blue Advantage Gold HMO 830	0.810	33602TX0471003	Blue Advantage Gold HMO 919
33602TX0470802	Blue Advantage Gold HMO 830	0.810	33602TX0471004	Blue Advantage Gold HMO 919
33602TX0470803	Blue Advantage Gold HMO 830	0.810	33602TX0471005	Blue Advantage Gold HMO 919
33602TX0470804	Blue Advantage Gold HMO 830	0.810	33602TX0471006	Blue Advantage Gold HMO 919
33602TX0470805	Blue Advantage Gold HMO 830	0.810	33602TX0471007	Blue Advantage Gold HMO 919
33602TX0470806	Blue Advantage Gold HMO 830	0.810	33602TX0471008	Blue Advantage Gold HMO 919
33602TX0470807	Blue Advantage Gold HMO 830	0.810	33602TX0471009	Blue Advantage Gold HMO 919
33602TX0470808	Blue Advantage Gold HMO 830	0.810	33602TX0471010	Blue Advantage Gold HMO 919
33602TX0470810	Blue Advantage Gold HMO 830	0.810	33602TX0471012	Blue Advantage Gold HMO 919
33602TX0470811	Blue Advantage Gold HMO 830	0.810	33602TX0471013	Blue Advantage Gold HMO 919
33602TX0470812	Blue Advantage Gold HMO 830	0.810	33602TX0471014	Blue Advantage Gold HMO 919
33602TX0470813	Blue Advantage Gold HMO 830	0.810	33602TX0471015	Blue Advantage Gold HMO 919
33602TX0470814	Blue Advantage Gold HMO 830	0.810	33602TX0471016	Blue Advantage Gold HMO 919
33602TX0470815	Blue Advantage Gold HMO 830	0.810	33602TX0471017	Blue Advantage Gold HMO 919
33602TX0470816	Blue Advantage Gold HMO 830	0.810	33602TX0471018	Blue Advantage Gold HMO 919
33602TX0470817	Blue Advantage Gold HMO 830	0.810	33602TX0471019	Blue Advantage Gold HMO 919
33602TX0472456	Blue Advantage Gold HMO 830	0.810	33602TX0472417	Blue Advantage Gold HMO 919
33602TX0472522	Blue Advantage Gold HMO 830	0.810	33602TX0472483	Blue Advantage Gold HMO 919
33602TX0472390	Blue Advantage Gold HMO 830	0.810	33602TX0472351	Blue Advantage Gold HMO 919
33602TX0471177	Blue Advantage Gold HMO 103	0.791	33602TX0470995	Blue Advantage Gold HMO 919
33602TX0471179	Blue Advantage Gold HMO 103	0.791	33602TX0470997	Blue Advantage Gold HMO 919
33602TX0471184	Blue Advantage Gold HMO 103	0.791	33602TX0471002	Blue Advantage Gold HMO 919
33602TX0471185	Blue Advantage Gold HMO 103	0.791	33602TX0471003	Blue Advantage Gold HMO 919
33602TX0471186	Blue Advantage Gold HMO 103	0.791	33602TX0471004	Blue Advantage Gold HMO 919
33602TX0471194	Blue Advantage Gold HMO 103	0.791	33602TX0471012	Blue Advantage Gold HMO 919
33602TX0471195	Blue Advantage Gold HMO 103	0.791	33602TX0471013	Blue Advantage Gold HMO 919
33602TX0472463	Blue Advantage Gold HMO 103	0.791	33602TX0472417	Blue Advantage Gold HMO 919

Original Standard Component ID	Original Plan Name	Metal AV	Mapped Standard Component ID	Mapped Plan Name
33602TX0472529	Blue Advantage Gold HMO 103	0.791	33602TX0472483	Blue Advantage Gold HMO 919
33602TX0880325	Blue Advantage Gold HMO 830-in vitro	0.810	33602TX0880352	Blue Advantage Gold HMO 919-in vitro
33602TX0880326	Blue Advantage Gold HMO 830-in vitro	0.810	33602TX0880353	Blue Advantage Gold HMO 919-in vitro
33602TX0880327	Blue Advantage Gold HMO 830-in vitro	0.810	33602TX0880354	Blue Advantage Gold HMO 919-in vitro
33602TX0880328	Blue Advantage Gold HMO 830-in vitro	0.810	33602TX0880355	Blue Advantage Gold HMO 919-in vitro
33602TX0880329	Blue Advantage Gold HMO 830-in vitro	0.810	33602TX0880356	Blue Advantage Gold HMO 919-in vitro
33602TX0880330	Blue Advantage Gold HMO 830-in vitro	0.810	33602TX0880357	Blue Advantage Gold HMO 919-in vitro
33602TX0880331	Blue Advantage Gold HMO 830-in vitro	0.810	33602TX0880358	Blue Advantage Gold HMO 919-in vitro
33602TX0880332	Blue Advantage Gold HMO 830-in vitro	0.810	33602TX0880359	Blue Advantage Gold HMO 919-in vitro
33602TX0880333	Blue Advantage Gold HMO 830-in vitro	0.810	33602TX0880360	Blue Advantage Gold HMO 919-in vitro
33602TX0880334	Blue Advantage Gold HMO 830-in vitro	0.810	33602TX0880361	Blue Advantage Gold HMO 919-in vitro
33602TX0880335	Blue Advantage Gold HMO 830-in vitro	0.810	33602TX0880362	Blue Advantage Gold HMO 919-in vitro
33602TX0880336	Blue Advantage Gold HMO 830-in vitro	0.810	33602TX0880363	Blue Advantage Gold HMO 919-in vitro
33602TX0880337	Blue Advantage Gold HMO 830-in vitro	0.810	33602TX0880364	Blue Advantage Gold HMO 919-in vitro
33602TX0880338	Blue Advantage Gold HMO 830-in vitro	0.810	33602TX0880365	Blue Advantage Gold HMO 919-in vitro
33602TX0880339	Blue Advantage Gold HMO 830-in vitro	0.810	33602TX0880366	Blue Advantage Gold HMO 919-in vitro
33602TX0880340	Blue Advantage Gold HMO 830-in vitro	0.810	33602TX0880367	Blue Advantage Gold HMO 919-in vitro
33602TX0880341	Blue Advantage Gold HMO 830-in vitro	0.810	33602TX0880368	Blue Advantage Gold HMO 919-in vitro
33602TX0880342	Blue Advantage Gold HMO 830-in vitro	0.810	33602TX0880369	Blue Advantage Gold HMO 919-in vitro
33602TX0880343	Blue Advantage Gold HMO 830-in vitro	0.810	33602TX0880370	Blue Advantage Gold HMO 919-in vitro
33602TX0880344	Blue Advantage Gold HMO 830-in vitro	0.810	33602TX0880371	Blue Advantage Gold HMO 919-in vitro
33602TX0880345	Blue Advantage Gold HMO 830-in vitro	0.810	33602TX0880372	Blue Advantage Gold HMO 919-in vitro
33602TX0880346	Blue Advantage Gold HMO 830-in vitro	0.810	33602TX0880373	Blue Advantage Gold HMO 919-in vitro
33602TX0880347	Blue Advantage Gold HMO 830-in vitro	0.810	33602TX0880374	Blue Advantage Gold HMO 919-in vitro
33602TX0880348	Blue Advantage Gold HMO 830-in vitro	0.810	33602TX0880375	Blue Advantage Gold HMO 919-in vitro
33602TX0880349	Blue Advantage Gold HMO 830-in vitro	0.810	33602TX0880376	Blue Advantage Gold HMO 919-in vitro
33602TX0880350	Blue Advantage Gold HMO 830-in vitro	0.810	33602TX0880377	Blue Advantage Gold HMO 919-in vitro
33602TX0880351	Blue Advantage Gold HMO 830-in vitro	0.810	33602TX0880378	Blue Advantage Gold HMO 919-in vitro