

**LOUISIANA HEALTH SERVICE & INDEMNITY COMPANY
(BLUE CROSS AND BLUE SHIELD OF LOUISIANA)
2027 SMALL GROUP ACTUARIAL CERTIFICATION
CONFIDENTIAL AND PROPRIETARY TO BLUE CROSS AND BLUE SHIELD OF LOUISIANA**

I. General Information

Document Overview

This document contains the Part III Actuarial Memorandum for Louisiana Health Service & Indemnity Company's (LHSIC) small group block of business, effective January 1, 2027. This actuarial memorandum is submitted in conjunction with the Part I Unified Rate Review Template.

The purpose of the actuarial memorandum is to provide certain information related to the submission, including support for the values entered into the Part I Unified Rate Review Template, which supports compliance with the market rating rules and reasonableness of applicable rate changes. This information may not be appropriate for other purposes.

This information is intended for use by the Louisiana Department of Insurance, the Center for Consumer Information and Insurance Oversight (CCIIO), and their subcontractors to assist in the review of LHSIC's small group rate filing. However, we recognize that this certification may become a public document.

If subsequent information on regulatory developments, risk adjustment, or any other rate development factors becomes available that would materially affect this rate filing, we would like to work with the Louisiana Department of Insurance to update assumptions accordingly and resubmit the rate filing with updated pricing.

Company Identifying Information

Company Legal Name: Louisiana Health Service & Indemnity Company
State: Louisiana
HIOS Issuer ID: 97176
Market: Small Group
Effective Date: January 1, 2027

Company Contact Information

[This portion redacted for purposes of confidentiality.]

II. Proposed Rate Changes

[This portion redacted for purposes of confidentiality.]

Considerations for premium rate changes include:

- Expected medical trend, both utilization and cost of services;
- Expected changes in the average morbidity;

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- Expected SG&A expenses, margin, and taxes and fees, including those that are applicable for 2027 under the ACA; and
- Expected payments and charges under the Risk Adjustment Program.

Additional considerations for premium rate changes, which may vary by product, benefit plan design, or geographic region include:

- Changes in cost-sharing levels to ensure that plans comply with the actuarial value metal level requirements and to offset the change in cost or utilization of medical care; and
- Movement of members to 2027 plans from 2026 plans that are being terminated in 2027.

III. Experience and Current Period Premium, Claims, and Enrollment

The experience period in Worksheet 1, Section I of the Unified Rate Review Template (URRT) extends from January 1, 2025 through December 31, 2025.

Claims Incurred in the Experience Period

Incurred claims illustrated in Worksheet 1, Section I of the URRT for the experience period are based on claims incurred in the experience period that were paid through April 30, 2026 and an estimate of claims incurred in the experience period but not paid (IBNP) as of April 30, 2026.

Premiums in Experience Period

Premiums illustrated in Worksheet 1, Section I of the URRT are the calculated premiums earned during the experience period. We did not subtract amounts from the net earned premium that would be subtracted from earned premium in the denominator of the MLR calculation, such as taxes and fees.

Current Premium and Enrollment

Current premium and enrollment reported in Worksheet 2, Section II of the URRT are reported as of April 2026.

Allowed and Incurred Claims Incurred During the Experience Period

Table 2 provides a breakdown of the allowed and incurred claims during the experience period, as illustrated in the Worksheet 1, Section I of the URRT.

[Table 2 redacted for purposes of confidentiality.]

Allowed claims are summarized from LHSIC's detailed claim-level historical data. Incurred but Not Paid (IBNP) adjustments were applied, to develop a fully incurred allowed claim estimate.

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Allowed and paid claims reflect the applicable values from LHSIC's claim payment system for claims received and paid for that are covered on a fee-for-service basis (i.e. not capitated) during the experience period. External claims also include estimated payables/receivables from CMS and provider partners.

LHSIC IBNP claims are calculated using a lag-based approach. The software used is the Unpaid Claims Liability Estimator (UnCLE) Model distributed by Ernst & Young. Our methodology develops claim completion factors from recent historical experience using 3, 6, or 12 month completion ratio averaging methods along with a method in which the lowest and highest values of 8 months are discarded, and the remaining 6 values are averaged. The IBNP claim estimates produced under each averaging method are compared monthly and the most appropriate is used to project incurred claims. We base our best-estimate liability on several factors, including historical completion ratios, historical levels of PMPM incurred costs, trends in incurred costs, and known seasonal variations.

We applied the same IBNP completion factors to the paid and allowed claims. We used recent historical claims data available for the small group block of business in developing our IBNP estimates. The period of time observed does include the experience period of Calendar Year 2025.

IV. Benefit Categories

Each claim expense was allocated into the following benefit categories:

- Inpatient Hospital
- Outpatient Hospital
- Professional
- Other Medical
- Capitation (which was not applicable in this context)
- Prescription Drug

Each claim is assigned to the applicable benefit category from Worksheet 1, Section II of the URRT based on the claim category and a mapping to the URRT benefit categories.

V. Projection Factors

[This portion redacted for purposes of confidentiality.]

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VI. Credibility Manual Rate Development

Due to the volume of experience in the experience period, it was not necessary to develop credibility manual rates.

VII. Credibility of Experience

Due to the size of the block in the experience period, no credibility adjustments were used.

VIII. Risk Adjustment and Reinsurance

[This portion redacted for purposes of confidentiality.]

IX. Non-Benefit Expenses and Profit & Risk

Administrative Expense Load

Administrative expenses were developed as a percent of premium using LHSIC's 2025 expenses, with adjustments for anticipated changes in 2027. The value entered in Worksheet 2, Section III of the URRT is illustrated as a percent of premium.

The development of the administrative expense load is supported by LHSIC's expense allocation system that supports the budgeting process and all management reports that include administrative expenses. The allocation of expenses to the product level is done at the administrative cost center level by using a system of allocations that takes into account the estimated time and cost that each center spends on each product. The allocation methods are reviewed frequently in order to support the actuarial pricing function.

Profit & Risk Load

Profit and Risk Load target values were determined as an aggregate value for the single-risk pool based on company targets and consideration for federal MLR requirements. The value entered in Worksheet 2, Section III of the URRT is illustrated as a percent of premium.

Taxes and Fees

Table 3 provides a breakdown of projected taxes and fees illustrated in Worksheet 2, Section III of the URRT.

[Table 3 redacted for purposes of confidentiality.]

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X. Projected Loss Ratio

The numerator of the projected MLR contains projected claim costs (C) and quality improvement expenses (QI), net of projected receipts/charges from the risk adjuster (RA) program. The denominator consists of total premiums, net of premium taxes, federal taxes, and regulatory fees.

[This portion redacted for purposes of confidentiality.]

XI. Single Risk Pool

The single risk pool for the Louisiana small group market is reflected in the pricing for this filing according to the requirements of 45 CFR part 156, §156.80(d). This single risk pool reflects all covered lives for all non-grandfathered products. LHSIC does not have any transitional products to include in its single risk pool.

XII. Index Rate

The experience period Index Rate is the estimated total allowed claim experience PMPM of all non-grandfathered plans for EHBs within our market and state, and it is not adjusted for payments and charges under the risk adjustment program, or for exchange user fees. This amount represents the allowed claims PMPM for the EHBs.

The projected Index Rate includes the projected claim level for the projection period, including all adjustments for trend, morbidity, benefit, demographic and other differences. It reflects the experience for all of the products we are developing since they are within a single risk pool. The projected Index Rate shown in Worksheet 1, Section II of the URRT was developed as follows:

(Projected Allowed Claims PMPM) x (% of Allowed Claims Attributable to EHB)

XIII. Market Adjusted Index Rate

The following table summarizes the factors applied to the Index Rate in the projection period to determine the Market Adjusted Index Rate.

[Table 4 redacted for purposes of confidentiality.]

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The Market Adjusted Index Rate is not calibrated. This means that this rate reflects the average demographic characteristics of the single risk pool.

- **Risk Adjustment**

This adjustment includes the impact of the estimated risk adjustment transfer payment PMPM as addressed in Table 4. The Risk Adjustment Admin Fee is not included here, but rather in the taxes and fees portion of administration costs.

- **Exchange User Fee**

LHSIC will not offer plans through SHOP in 2027. As a result, there is no Exchange User Fee applied.

In accordance with the URRT instructions, Risk Adjustment and the Exchange User Fee are applied as market level adjustments on an allowed basis, as expressed in Table 4.

XIV. Plan Adjusted Index Rates

The Plan Adjusted Index Rates are calculated as follows:

Plan Adjusted Index Rate =

Market Adjusted Index Rate

- × Plan actuarial value and cost-sharing adjustment
- × Adjustment for plan's provider network, delivery system characteristics, and utilization management practices (none in this case)
- × Adjustment for additional non-EHB benefits (no adjustment applied)
- × Plan administrative costs, excluding exchange user fees

The Plan Adjusted Index Rates reflect the average demographic characteristics of the single risk pool and therefore are not calibrated.

[This portion redacted for purposes of confidentiality.]

XV. Calibration

Calibration factors, as described below, are applied to the Plan Adjusted Index Rates uniformly across all plans in the Single Risk Pool. Prior to applying the allowed rating factors for age, geography and tobacco, the Plan Adjusted Index Rates need to be adjusted by the calibration factors.

Age and Geographic Calibration Factors

To determine the calibration factors, the distributions of members by age and geographic area were determined. Using these distributions, weighted averages were calculated, and each factor

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calibrated to 1.0 using the Plan Adjusted Index Rates. Area factors used in the calculations are reflective of differences in delivery costs (including unit cost and provider practice pattern differences) only, and do not reflect any difference in population morbidity.

[This portion redacted for purposes of confidentiality.]

XVI. 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 utilizing the rating and premium adjustments as articulated in the applicable Market Reform Rating Rules. It is the product of the Plan Adjusted Index Rate after applying calibration factors, the geographic rating factor, the age rating factor, and the tobacco status rating factor. All rating factors are described and shown below.

The Consumer Adjusted Premium Rates that are derived by the above processes and used for charging premium to enrollees are presented in the rates template that accompanies this filing.

These rates are calculated as follows:

Consumer Adjusted Premium Rates =

- (Index Rate
 - +/- Risk Adjustment program adjustment
 - + Exchange User Fees)
- × Plan actuarial value and cost-sharing adjustment
- × Adjustment for plan's provider network, delivery system characteristics, and utilization management practices (none in this case)
- × Plan adjustment for additional non-EHB benefits (no adjustment applied)
- × Catastrophic plan eligibility adjustment (none in this case)
- × Plan administrative costs, excluding exchange user fees

Plan Adjusted Index Rates are then calibrated for age and geography. The Consumer Adjusted Premium Rate is the final premium developed by applying the allowable rating factors to the calibrated Plan Adjusted Index Rate. Allowable rating factors as specified by 45 CFR Part 147, §147.102 are as follows:

- Age
- Geography
- Tobacco

The premium for family coverage is determined by summing the Consumer Adjusted Premium Rates for each individual family member, provided at most three child dependents under age 21 are taken into account.

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XVII. AV Metal Levels

The AV metal values included in Worksheet 2, Section I of the URRT were developed based on the 2027 CMS Actuarial Value Calculator. The attachment “Actuarial Value Calculator: Certification of AV Metal Level” is attached.

XVIII. Membership Projections

Membership projections, as illustrated in Worksheet 2, Section IV of the URRT, were developed based on expected enrollment for new sales and renewals in 2027. Table 5 below shows the resulting membership by metal level.

[Table 5 redacted for purposes of confidentiality.]

XIX. Terminated Plans and Products

The following plans will be terminated for new sales effective January 1, 2027, and members were migrated upon renewal according to the mapping in Table 6.

[Table 6 redacted for purposes of confidentiality.]

There were no plans that were terminated for new sales effective January 1, 2026.

XX. Plan Type

The applicable plan type for each plan has been noted in Worksheet 2, Section I of the URRT.

XXI. Reliance

In preparing the Part I Unified Rate Review Template (URRT) and Part III Actuarial Memorandum, I have relied on information provided to me by the following:

[This portion redacted for purposes of confidentiality.]

XXII. Actuarial Certification

I, [This portion redacted for purposes of confidentiality.], am a member of the American Academy of Actuaries and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

I hereby certify that the projected Index Rate is, to the best of my knowledge and understanding:

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- In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80(d)(1))
- 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

I certify that 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 specific premium rates. The allowable modifiers used to generate plan specific premium rates were based on the following, where applicable:

- The actuarial value and cost-sharing design of the plan.
- The plan's provider network, delivery system characteristics, and utilization management practices.
- The benefits provided under the plan that are in addition to the Essential Health Benefits.
- Administrative costs, excluding exchange user fees.
- With respect to catastrophic plans, the expected impact of the specific eligibility categories for those plans.

I certify that the geographic rating factors reflect only differences in the costs of delivery (which can include unit cost and provider practice differences) and do not include differences for population morbidity by geographic area.

I certify that, with respect to LHSIC's benefits plans:

- The benefits included in LHSIC's plans are substantially equivalent to the Essential Health Benefits (EHBs) in the State of Louisiana benchmark plans.
- All policies cover all required EHB.
- None of the policies cover an abortion service for which public funding is prohibited.
- Any non-EHB services covered by these policies have negligible impact to premiums.

The Part I Unified Rate Review Template (URRT) does not demonstrate the process used to develop proposed premium rates. It is representative of information required by Federal regulation to be provided in support of the review of rate changes, for certification of qualified health plans for Federally Facilitated Exchanges and for certification that the Index Rate is developed in accordance with Federal regulation and used consistently and only adjusted by the allowable modifiers.

[This portion redacted for purposes of confidentiality.]

6/8/2026
Date

Actuarial Value Calculator: Certification of AV Metal Level

I, [This portion redacted for purposes of confidentiality.], am an actuary for Blue Cross and Blue Shield of Louisiana. I am a member of the American Academy of Actuaries, and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

I certify that the 2027 Actuarial Value (AV) Calculator was used to determine the AV Metal Values shown in Worksheet 2 of the Part I Unified Rate Review Template for all 2027 plans in the Small Group market for Louisiana Health Services and Indemnity Company (LHSIC). The AV Metal Values included in Worksheet 2 of the Part I Unified Rate Review Template were based on the Federal AV Calculator. The AV Metal Values were determined in accordance with the Actuarial Standards of Practice established by the Actuarial Standards Board and with applicable laws and regulations.

There were no plans with unique plan design features that, when taken into consideration, moved the plan design(s) from outside the de minimis range to inside the de minimis range for one of the metal levels.

Signed:

[This portion redacted for purposes of confidentiality.]

Dated: 5/28/2026