August 17, 2026 Updates

Rate Filing Justification Part II: Written Description Justifying the Rate Increase
Blue Cross and Blue Shield of Alabama (BCBSAL)
Individual Market – Rates effective January 1, 2027

Scope and Range of the Rate Increase
The average rate increase included in this filing is 19.9%, affecting just over 183,000 members.

The main factors driving the need for this increase are:

- Alabama market membership loss and remaining members projected to be less healthy during the second year following the end of the enhanced premium subsidies in 2026, which were in place since 2021.
- Projected 2026 claim cost trends are higher than projected in the 2026 filing. Higher claim cost trends are projected to continue into 2027.

The table below reflects the revised rate increase applicable to each plan:

Plan	Original Effective Date	April 2026 Members	2027 Rate Change
Blue Value Gold	1/1/2014	8,122	25.6%
Blue Cross Select Gold	1/1/2016	2,097	24.2%
Blue Essential Gold	1/1/2023	411	20.6%
Blue Secure Silver	1/1/2014	4,764	18.7%
Blue Value Silver	1/1/2014	14,758	23.5%
Blue Cross Select Silver	1/1/2016	51,019	23.0%
Blue Essential Silver	1/1/2023	10,405	15.9%
Blue Essential Silver EPO	1/1/2023	4,038	17.7%
Blue Standardized Statewide Silver EPO	1/1/2026	5,010	16.5%
Blue Statewide Silver EPO	1/1/2026	16,440	17.8%
Blue Saver Silver EPO	1/1/2022	9,732	19.0%
Blue Saver Silver	1/1/2020	1,061	20.1%
Blue Saver Bronze	1/1/2014	36,100	19.4%
Blue HSA Bronze	1/1/2015	6,738	15.4%
Blue Essential Bronze	1/1/2023	11,461	12.3%
Blue Standardized Statewide Bronze EPO	1/1/2027	N/A	New Plan
Blue Statewide Bronze EPO	1/1/2027	N/A	New Plan
Blue Protect	1/1/2014	1,007	-2.3%
Total/Average		**183,163**	**19.9%**

The premium change experienced by each policyholder will likely differ from the rate increase listed above for the chosen plan because individual and family plan premiums vary based on the age(s) of the individual(s) on the plan, the policyholder's geographic area, and the number of family members included on the plan as permitted under the ACA.

Enhanced Advance Premium Tax Credits Allowed to Expire for plan year 2026 and later.
Enhanced Advance Premium Tax Credits (enhanced premium subsidies) that were made available in 2021 and 2022 through the American Rescue Plan Act (ARPA) and extended after 2022 by the Inflation Reduction Act (IRA) were allowed to expire by the Federal government and are not available after 2025. As a result of these enhanced premium subsidies, the total Alabama Individual ACA Market grew from 195,000 in 2021 to over 475,000 in 2025. Market membership has dropped below 350,000 YTD in 2026 and is expected to drop further throughout the rest of 2026 and 2027.

Assumptions in this rate filing related to this change:

- BCBSAL is projecting that a substantial number of Individual members will leave the Alabama Individual ACA market in 2027, similar to 2026, as enhanced premium subsidies remain unavailable and members are no longer able to afford their out-of-pocket premiums.
- Members leaving the market are projected to be healthier than average, which will leave the total Alabama market (or single rating pool) projected to be less healthy in 2027.

Changes in Medical Service Costs
BCBSAL expects per capita claim costs to increase around 5% from 2026 to 2027, mainly due to increasing costs for hospital services and prescription drugs. Hospital costs are expected to grow due to increases in both reimbursement levels and the number of services performed. Prescription drug costs continue to escalate largely due to GLP-1s, new expensive drugs and new covered indications for existing drugs.

Changes in benefits
Overall, changes to benefits in 2027 were minor and generally made to satisfy the Actuarial Value ranges required by law. For 2027, these changes helped to reduce the requested rate change by 3-4%.

Financial Experience of the Product
BCBSAL measures the financial performance of its products using the traditional Medical Loss Ratio ("MLR") calculation. The MLR is equal to claim costs divided by premium revenue. The target MLR for the Individual market in 2025 was approximately 92%, and actual MLR has emerged at nearly 93%. This means that 8% of premium was needed for non-benefit expenses such as administrative costs, taxes and fees, and contribution to surplus, but only 7% was available after paying benefit expenses.

BCBSAL expects the MLR in 2026 to be nearly 98% mostly due to claims being higher than projected when developing premiums for 2026 where the projected pricing Loss Ratio was approximately 88%.

Based on the rate increases listed above, BCBSAL expects the average MLR for the Individual market to be near the target MLR of about 86% in 2027.

Administrative Cost and Anticipated Margins

Administrative expenses for 2026 have come in as predicted but are expected to increase in 2027 due to overhead expenses being spread over fewer members. Also, this market is perceived to remain volatile, and therefore we have increased our Contribution to Surplus and Risk closer to our historical target for this market of 5%. Finally, 2027 taxes and fees are decreasing nearly 0.7% per CMS' 2027 Notice of Benefit and Payment Parameters guidance to carriers helping to partially offset the overall increase to rates for 2027.

The table below shows the relevant amounts used in developing 2026 and 2027 premiums:

	Retention Factors	
Component	**2026**	**2027**
Total Retention	**13.1%**	**14.0%**