Actuarial Memorandum – Individual Market
With Enhanced Premium Tax Credits

GENERAL INFORMATION

Company Identifying Information

- Company Legal Name: Blue Cross & Blue Shield of Rhode Island ("BCBSRI")
- State: Rhode Island
- HIOS Issuer ID: 15287
- Market: Individual
- Effective Date: January 1, 2026

Company Contact Information

- Primary Contact Name: Brian Mackintosh
- Primary Contact Telephone Number: 401-459-1700
- Primary Contact Email Address: Brian.Mackintosh@BCBSRI.org

PROPOSED RATE CHANGES

This filing is being made to establish new rates to be used effective January 1, 2026 for BCBSRI's portfolio of plans in the Individual market. The proposed weighted average rate change for the Individual market is 19.2%. The actual rate impact on any given individual currently enrolled in an individual plan, however, will depend on the age of the enrollees, the plan selected, and whether the subscriber is eligible for federal subsidies.

The requested rates are based on one single risk pool of experience for the Individual market. However, the rate impact will vary slightly across some products and plans due to the following:

- Changes in benefit design that vary by plan
- Updates in benefit relativity factors among plans

The overall average rate change is driven by a number of factors that are outlined below. Further details on each of these factors are given later in this memorandum.

Enhanced Premium Tax Credits
This filing assumes that the enhanced federal premium tax credits remain in effect in 2026.

In comparison to the base filing, which assumes that the enhanced federal premium tax credits expire, there were five assumptions that were changed. These changes are summarized below and detailed throughout this memo.

Assumption	Scenario 1: EPTCs Expire 12/31/25	Scenario 2: EPTCs Remain in Effect	Estimated Impact to Rate Increases
Morbidity Factor	4.8%	0%	-6.8%
Projected Risk Adjuster	-$92.30	-$108.70	-2.5%
1332 Reinsurance	-$45.38	-$45.85	-0.1%
Admin PMPM	$81.80	$78.39	-0.5%
Exchange User Fees	1.6%	1.7%	0.2%
Net estimated impact of EPTCs Remaining in Effect			**-9.7%**

Claims Trend
In order to determine the projected claims expense, we applied cost and utilization trend assumptions to the experience period claims. The cost and utilization increases that we estimate are set forth in the chart below.

Trend Assumptions						
	Year 1			Year 2		
Category	Cost	Utilization	Total	Cost	Utilization	Total
Inpatient Hospital	4.2%	3.5%	7.8%	4.3%	3.5%	8.0%
Outpatient Hospital	4.3%	5.9%	10.5%	3.8%	5.9%	9.9%
Professional	8.7%	7.4%	16.7%	8.4%	7.4%	16.4%
Other Medical	8.7%	7.4%	16.7%	8.4%	7.4%	16.4%
Capitation	47.5%	0.0%	47.5%	35.9%	0.0%	35.9%
Prescription Drug	0.5%	9.6%	10.1%	1.8%	9.6%	11.6%
Total			**12.0%**			**12.2%**

Tariffs

New tariffs on goods imported into the United States could have large impacts on medical cost and utilization trends; however, the anticipated impacts for 2026 are uncertain at this time. This filing assumes the CPI-U released in September will be 0.5% higher than the CPI-U released in April for purposes of developing facility cost trend factors. We also estimate a 3% increase to Pharmacy cost trends. There are no other tariff considerations factored into this filing.

ACA Related Taxes and Fees

Fees for administration of the Risk Adjustment Program and the Patient-Centered Outcomes Research Trust Fund are included in this filing.

Cost-Sharing Reduction Subsidies

This filing reflects the fact that despite the elimination of funding for the Cost-Sharing Reduction (CSR) program, BCBSRI is required to continue to offer CSR plan variations for qualified low-income subscribers enrolled in silver plans through HealthSource RI.
In accordance with OHIC instructions, this filing adjusts the rates that apply to silver plans sold On Exchange in the Individual market to reflect the impact of losing the CSR program funding. These adjustments are reflected in the "CSR Load" column in 'III Plan Rates' for only those plans that are affected. We used the Actuarial Values of the subsidy levels, weighted by March 2025 member months for each subsidy level, to estimate the required rate adjustment for 2026. The Actuarial Values used to calculate the load factor are based on the BCBSRI Benefit Pricing Model.

In CY 2024, BCBSRI paid approximately $3.2 million to reduce cost sharing for members in CSR plans. This amount was derived by calculating the difference between total paid claims for members in a CSR plan and an estimate of what the paid amount would have been if these members had been in a standard plan. The standard plan paid calculation was based on each plan's corresponding non-CSR benefit factor.

Premium Stabilizers

In this filing BCBSRI is assuming a PMPM payment of $108.70 from the Risk Adjustment Program. This estimate is based on the 2024 Interim Transfer Report trended to 2026 using the Rhode Island statewide premium trend. The Interim payment used in the calculation has additionally been adjusted based on a historical average ratio of the Final

to Interim adjustment. The estimate also reflects the net impact of the High-Cost Risk Pool program.

Using the parameters for the scenario where the enhanced federal premium tax credits expire, BCBSRI is assuming PMPM payment of $45.85 from the State Reinsurance Program. The proposed parameters of the program are:

- Insurers are reimbursed for members whose total claims reach an attachment point of $30,000, with a cap of $60,000 and a target coinsurance rate of 33.4%.

- Actual reimbursements, however, will be limited to the total funds generated. State mandate revenues or federal pass-through funds may be lower than estimated, and reinsurance claims costs may be higher than projected. If such underfunding occurs, the State will decrease the reinsurance claims payments made to carriers. Thus, carriers bear the risk of a funding shortfall.

To estimate the 2026 Reinsurance PMPM, we took BCBSRI's actual Individual market claims by member for CY 2024 and applied a completion factor and trend to bring the claims to a CY 2026 level, and then applied the State Reinsurance Program parameters for CY 2026.

EXPERIENCE AND CURRENT PERIOD PREMIUM, CLAIMS, AND ENROLLMENT

Paid Through Date
The experience period for this filing is incurred January – December 2024, paid through March 2025.

Current Date
Current enrollment reflects membership in March 2025.

Experience Period Premium
The earned premium prior to MLR rebates for the calendar year 2024 experience period is $135,123,198.

Allowed and Incurred Claims Incurred During the Experience Period
Paid and allowed claims processed through our claims system are summarized by benefit category and incurred date. We develop allowed claims by summing BCBSRI paid amount and member cost-sharing amounts (coinsurance, co-pay and deductible). We then add out-of-system payments. We complete paid and allowed claims using incurred but not reported (IBNR) factors, which are based on claim reserve estimates developed monthly for financial reporting.

In order to estimate claims IBNR, we create lag triangles for each benefit category (Inpatient, Outpatient, Medical/Surgical and Prescription Drugs) for the various commercial market segments. We use three and six-month averages based on paid claims experience for the last three years to calculate monthly multiplicative completion factors. Adjustments may be made to lag data to remove the impact of unusual payment patterns that are not expected to reoccur, or to include any known outstanding large claims. Market segment specific completion factors are applied to experience period claims.

The charts on the following page show the development of allowed and paid claims for the experience period.

Allowed Claims CY 2024							
	Inpatient	Outpatient	Professional	Other Medical	Rx	Capitation	Total
Allowed Claims	$31,735,877	$48,129,545	$44,711,706	$4,935,484	$38,398,981	$1,152,975	$169,064,569
Completion Factors	0.9758	0.9941	0.9779	0.9779	1.0000	1.0000	
Completed Allowed Claims	**$32,522,932**	**$48,415,195**	**$45,722,166**	**$5,047,023**	**$38,398,981**	**$1,152,975**	**$171,259,273**

Paid Claims CY 2024							
	Inpatient	Outpatient	Professional	Other Medical	Rx	Capitation	Total
Paid Claims	$30,420,757	$39,459,216	$32,214,468	$4,039,754	$32,020,195	$1,152,975	$139,307,364
Completion Factors	0.9758	0.9941	0.9779	0.9779	1.0000	1.0000	
Completed Paid Claims	**$31,175,197**	**$39,693,407**	**$32,942,497**	**$4,131,050**	**$32,020,195**	**$1,152,975**	**$141,115,321**

BENEFIT CATEGORIES

The benefit categories used in 'I Data & Rate Change' and 'II Rate Development' are defined as follows:

Inpatient Hospital – Includes non-capitated facility services for medical, surgical, maternity, mental health and substance abuse disorder, skilled nursing, and other services provided in an inpatient facility setting and billed by the facility.

Outpatient Hospital – Includes non-capitated facility services for surgery, emergency services, lab, radiology, therapy, observation, and other services provided in an outpatient facility setting and billed by the facility.

Professional – Includes non-capitated primary care, specialist, therapy, the professional component of laboratory and radiology, and other professional services, other than hospital-based professionals whose payments are included in facility fees.

Other Medical – Includes non-capitated ambulance, home health care, Durable Medical Equipment (DME), prosthetics, supplies, vision exams, dental services, and other services.

Capitation – Includes all services provided under one or more capitated arrangements.

Prescription Drug – Includes all retail and mail order pharmacy claims, and is net of rebates received from drug manufacturers and PBM settlements.

PROJECTION FACTORS

Utilization Trends

Utilization projection factors were developed to project experience period expenses to the rating period for expected changes in the number of services utilized by covered members (utilization) and changes in the types of services used (mix). The utilization/mix trend analysis uses a linear regression model with three years of allowed claims PMPMs, normalized for changes in claims costs that were due to influences other than utilization or mix. Data points reflected rolling 12-month averages. Our analysis developed separate utilization/mix trend factors using admissions per 1,000 members for inpatient and allowed claims PMPMs for outpatient, professional, and prescription drug services.

Due to variability in sourcing, pricing, availability and utilization of Covid-19 vaccines and testing, we excluded these claims from the data when analyzing historical professional and outpatient utilization trends. The data was also adjusted for age.

In order to increase credibility and decrease the volatility associated with market segment-specific trend data, the trends are based on the BCBSRI insured commercial market (Large Group, Small Group, and Individual) in total.

Price/Unit Cost Trends

Cost projection factors for inpatient, outpatient, and professional services represent anticipated unit price increases during the 24 months from the experience period to the rating period. The price projection factors are based on actual unit cost increases, estimates of price increases based on negotiations, and any planned or estimated increases and adjustments to provider contracts. Cost projection factors for prescription drugs represent changes within our Pharmacy Benefits Manager (PBM) contracts during the 24 months from the experience period to the rating period.

Included in the cost trends is the Average Rx New Treatment Factor, which accounts for any one-time changes in trend that aren't inherent in underlying utilization/mix trends, including any new therapies or pipeline drugs. For the 2026 filing, the factor reflects the anticipated notable impact of new generic and high-cost drugs in 2024-2026, as well as consideration for the significant increase in utilization of the glucagon-like peptide-1 (GLP-1) drugs that we began to see in 2023. Additionally, it accounts for expected shifting of utilization of anti-inflammatory drugs into lower-priced drug options. The factor also includes a 3% increase in 2026 due to expected higher costs attributable to tariffs, and a 1.5% increase in 2026 due to higher pricing related to proposed 340b legislation.

This information was provided by BCBSRI's Analytics area. I have reviewed the information for reasonableness, but I have not independently audited or otherwise verified the information provided.

ADJUSTMENTS TO TRENDED EHB ALLOWED CLAIMS PMPM

The adjustments provided in Section II of 'II Rate Development' are described below.

Morbidity Adjustment
We assumed no changes in morbidity between the experience and projection periods.

Demographic Shift
We assumed no changes in demographics between the experience and projection periods.

Plan Design Changes
The Plan Design Changes factor includes the following item:

- Average utilization change, which accounts for changes in the average utilization of services due to differences in cost sharing between the experience period and the projection period.

Components of Plan Design Factor	
Component	**Factor**
Average Utilization Change	1.000
Total Plan Design Factor	1.000

Other
The Other adjustment factor includes the following items:

- Prescription Drug Rebate Adjustment, which reflects the difference between estimated prescription drug rebates between the experience period and the projection period.
- Provider Network Adjustment, which reflects changes in the mix of membership within the provider networks between the experience period and the projection period.
- Out of System Adjustment, which reflects changes in levels of provider reimbursements between the experience period and the projection period.
- Large Claims Manual Adjustment, which removes claims > $1 Million from the Individual base period, and adds in a market average estimate for claims > $1 Million. This adjustment is intended to reduce volatility by market segment.
- Reduction in Prior Authorization Requirements, which reflects the removal of prior authorization requirements for certain PCP services.
- Gene Therapy Adjustment, which reflects an estimate for the projected costs of new gene therapy treatments that will occur in 2026.

Components of Other Factor	
Component	**Factor**
Rx Rebate Adjustment	0.998
Provider Network Adjustment	0.998
Out of System Adjustment	0.997
Large Claims Manual Adjustment	0.992
Reduction in Prior Authorization Reqts	1.000
Gene Therapy Adjustment	1.003
Total Other Factor	**0.988**

MANUAL RATE ADJUSTMENTS

We did not use any manual rates in this filing.

CREDIBILITY OF EXPERIENCE

Given the size of our block of business, we considered the experience period claims to be fully credible.

ESTABLISHING THE INDEX RATE

The projected Index Rate for 2026 of $1,000.24 represents the average allowed claims PMPM for Essential Health Benefits, excluding any adjustments for Exchange User Fees, Reinsurance, and Risk Adjustment impact. The following Non-EHB claims were removed from the experience period:

- Abortion services for which federal funding is not available
- Acupuncture
- Allergy Testing
- Immunotherapy

DEVELOPMENT OF THE MARKET-WIDE ADJUSTED INDEX RATE

State Reinsurance Program
BCBSRI is assuming a $45.85 PMPM payment from the State Reinsurance Program.

Risk Adjustment Payment/Charge
In this filing BCBSRI is assuming a PMPM payment of $108.70 from the Risk Adjustment Program. This estimate is based on the 2024 Interim Transfer Report trended to 2026 using the Rhode Island statewide premium trend. The Interim payment used in the calculation has additionally been adjusted based on a historical average ratio of the Final to Interim adjustment. The estimate also reflects the net impact of the High-Cost Risk Pool program. (See description below.)

The HHS risk adjustment model includes a provision for high-cost risk pooling. Under this provision, insurers are reimbursed for 60% of total claims in excess of $1 million for any high-cost claimants. To fund this program HHS charges insurers a percentage of premium that is determined based on actual high-cost claims for the calendar year. For this filing the PMPM difference between BCBSRI's payments into the program and payments recouped through the program is netted against Risk Adjustment PMPMs.

Exchange User Fees
The Exchange User Fee rate of 1.68% was calculated by applying the assessment rate of 3.5% to the projected proportion of BCBSRI members who purchase coverage through the Rhode Island health insurance exchange, HealthSource RI, and then spreading it across all members. This estimate reflects enrollment through the exchange consistent with March 2025 enrollment. In the event the Rhode Island General Assembly adopts a higher or lower Exchange User Fee, we propose to adjust this rate as needed.

The Market Adjusted Index Rate represents the Index Rate adjusted for net Risk Adjustment impact, Reinsurance impact, and Exchange User Fees as shown in the chart.

Market Adjusted Index Rate	
2026 Index Rate	$1,000.24
Adjustments - Paid Basis:	
Risk Adjustment	-$108.70
Reinsurance	-$45.85
Exchange User Fees	$14.16
Paid to Allowed Ratio	0.8394
Adjustments - Allowed Basis:	
Risk Adjustment	-$129.50
Reinsurance	-$54.62
Exchange User Fees	$16.87
2026 Market Adjusted Index Rate	**$833.03**

PLAN ADJUSTED INDEX RATE

The Plan Adjusted Index Rate represents the Market Adjusted Index Rate further adjusted to include the following allowable factors, as provided in 'III Plan Rates':

AV and Cost Sharing
The AV and Cost Sharing factor is the product of the following three factors: Cost Sharing & Benefit, Induced Demand, and CSR Load.

The Cost Sharing & Benefit factor for each plan is developed in the BCBSRI Benefit Pricing Model. This factor reflects the value of benefit differences and member cost share by plan. It is the paid to allowed ratio representing the plan specific impact of benefit design differences by type of service.

The Induced Demand factor represents the impact of member cost on the member's utilization of specific services. It is also developed in the BCBSRI Benefit Pricing Model.

The CSR Load represents BCBSRI's liability for providing CSR subsidies to qualified low-income subscribers enrolled in silver plans through HealthSource RI, and is included only for those plans. We used the ratio of the Actuarial Values (AV) of the subsidy levels to the AV of the corresponding standard plans, weighted by March 2025 member months for each subsidy level, to estimate the required rate adjustment for 2026. The Actuarial Values used to calculate the load factor are based on the BCBSRI Benefit Pricing Model.

We did not make an adjustment in the AV and Cost Sharing factors related to leverage.
Provider Network Adjustment
This adjustment reflects differences in projected claims costs due to network structure.

Benefits in Addition to EHB
This component includes adjustments for abortion services for which federal funds are not available for designated plans, acupuncture for designated plans, and allergy and immunotherapy for all plans.

Administrative Expense Fees Less Exchange Fee
BCBSRI creates its administrative expense budget using current market segment allocation ratios, and then applying those allocations to the anticipated 2026 corporate budget. The corporate budget is based on forecasted expenses that include known changes, such as corporate project spend, enrollment shifts, and contractual arrangements.

Market segments can either be charged directly (e.g., 100% of expense is charged to the segment) or through an allocation where the expense benefits more than one segment. Each corporate area is allocated based on the function that is being performed. These ratios are then used to distribute the particular area's expenses to the market segment. Expenses exclude premium tax because this component is reflected in a separate rating factor.

Uncollected Premium
Individual market members have a one-month grace period for premium non-payment during which BCBSRI continues to pay claims incurred in that month. This filing includes a retention factor of 0.30% for unpaid premium. This represents the percentage of unpaid premium compared to the total earned premium in the Individual market for CY 2024. The factor is included in Administrative Expenses less Exchange Fees in 'III Plan Rates.'

Taxes and Fees
The State of Rhode Island levies taxes of 2% on fully insured premium pursuant to section 44-17-1 of the Rhode Island General Laws.

The State of Rhode Island also levies assessments on insurers to cover adult immunization, childhood immunization and a children's health account (used to fund various programs for children). These state mandated assessments are included as Taxes and Fees in 'III Plan Rates.' In this filing, we are using the proposed FY 2026 rates for the Rhode Island Vaccine Assessment Program under the 50% excess release assessment scenario. For the Children's Health Account, we are estimating that the FY 2024 rate will be appropriate for 2026. We will amend our filing upon approval if the final rate for either program differs from these assumptions. The chart at the end of this section shows the calculation of the SMA components.

As part of the ACA, the federal government imposes fees for administration of the Risk Adjustment Program (Section 1343 of the ACA). The 2026 Risk Adjustment fee is $0.20 PMPM.

The Patient-Centered Outcomes Research Trust Fund is in effect for CY2026. The annual per capita fee is estimated to be $3.72 ($0.31 PMPM).

Profit (or Contribution to Surplus) & Risk Load
This filing includes a 4.20% contribution to reserves, which includes 1.20% for costs estimated to be incurred in 2025 related to increases in primary care provider expenditures required under 230-RICR-20-30-4 and not included in 2025 rates.

Funding reserves adequately is critical to ensure BCBSRI is able to pay member claims in the event actual claim costs exceed projected costs and the approved premium rates. This year, estimating future claims liability is more difficult than in the past, which adds significant risk to the inadequacy of our requested rates. Several factors in 2026 may create expenses that far exceed those assumed in this rate filing. These factors include, but are not limited to: medical, pharmacy, and administrative cost pressures related to tariff and tariff uncertainty; pending federal and state legislation; and increasing volatility in inpatient claim volume and high-dollar claims. For these reasons, it is critically important that reserves be sufficiently funded for 2026 so that BCBSRI is able to absorb these risks and ensure our ability to pay the claims of our members.

An investment credit of 0.00% is included in this filing.

The chart below summarizes all the components of Administrative Expenses less Exchange Fees in 'III Plan Rates.'

Administrative Expenses less Exchange Fees		
Category	PMPM	% of Premium
Administrative Expenses	**$78.39**	9.30%
Uncollected Premium	$2.53	**0.30%**
Subtotal: Administrative Expenses	$80.92	9.60%
Premium Tax	$16.86	**2.00%**
PCORI Fee	**$0.31**	0.04%
Risk Adjustment Fee	**$0.20**	0.02%
Childhood Immunization Account	**$3.02**	0.36%
Adult Immunization Account	**$4.75**	0.56%
Children's Health Account	**$1.14**	0.13%
Subtotal: Taxes and Fees	$26.28	3.12%
Contribution to Reserves	$35.40	**4.20%**
Investment Income Credit	$0.00	**0.00%**
Subtotal: Profit and Risk	$35.40	4.20%
Total Retention	$142.60	16.92%

CALIBRATION

A projected weighted average age was calculated using the HHS Default Standard Age Curve and BCBSRI's actual premium weighted age distribution for CY 2024. The calibration factor also includes an adjustment for the fact that only the three oldest children under age 21 may be counted in developing a family premium.

The weighted average age calibration factor is 1.7122. The approximate average age rounded to the nearest whole number is 49.

Calibration was not included for geographic or tobacco factors.

The chart below contains the age calibration factors that were applied.

Age Calibration			
Age Band	Calibration Factor	Age Band	Calibration Factor
0-14	0.765	40	1.278
15	0.833	41	1.302
16	0.859	42	1.325
17	0.885	43	1.357
18	0.913	44	1.397
19	0.941	45	1.444
20	0.970	46	1.500
21	1.000	47	1.563
22	1.000	48	1.635
23	1.000	49	1.706
24	1.000	50	1.786
25	1.004	51	1.865
26	1.024	52	1.952
27	1.048	53	2.040
28	1.087	54	2.135
29	1.119	55	2.230
30	1.135	56	2.333
31	1.159	57	2.437
32	1.183	58	2.548
33	1.198	59	2.603
34	1.214	60	2.714
35	1.222	61	2.810
36	1.230	62	2.873
37	1.238	63	2.952
38	1.246	64	3.000
39	1.262	65+	3.000

CONSUMER ADJUSTED PREMIUM RATE DEVELOPMENT

Consumer adjusted premium rates are calculated using the following equation:

*Plan Adjusted Index Rate / Weighted Average ACA Age Factor (Age Curve Calibration) * ACA Age Factor*

PROJECTED LOSS RATIO

The CY 2026 MLR projection uses claims net of RX Rebates and adjusted according to 'VI MLR Exhibit'. The CY 2025 MLR projection uses the CY 2026 claims projection and backs out one year of trend, leveraging and plan design changes. CY 2025 and CY 2026 earned premium reflect 2025 and 2026 PAIR.

The projected loss ratio using the federally prescribed MLR methodology is 85.9%.
No MLR rebates are projected under the rates proposed in this filing. We are including a credibility adjustment factor to this projection.

AV METAL VALUES

BCBSRI Acceptable Alternative Methodology for Valuing Plan Designs using the Actuarial Value Calculator

Due to specific plan features and differences between underlying assumptions in the AV calculator and our plan designs, we used an acceptable alternative methodology to generate the AV metal values for some plans. The AV calculator was used to generate all AV values and metal levels; however, we had to adjust the inputs to the calculator to appropriately reflect the benefit designs of certain plans. The methodology used to develop inputs for the AV calculator is documented below.

1) 5-tier Drug Benefit

The AV calculator is set up for 4 tiers of drugs; however, our plans include 5 tiers. In order to fit 5 tiers into the AV calculator, we calculated the weighted average copay for the first two tiers and entered that as the copay for Tier 1 drugs.

	Tier 1 - Low Cost	Tier 1 - High Cost	Value Entered in AV Calculator for Tier 1
Weight	65%	35%	
Copays	$0	$15	$5
Copays	$5	$15	$8
Copays	$5	$20	$10
Copays	$7	$25	$13
Copays	$7	$35	$17
Copays	$10	$25	$15
Copays	$10	$30	$17
Copays	$10	$35	$19
Copays	$10	$40	$20
Copays	$10	$45	$22

2) Tiered PCP Copays (VantageBlue, BasicBlue)

For the VantageBlue and BasicBlue plans, there are two tiers of PCP copays. In order to value these plans using the AV calculator, we calculated the average copay and entered that as the PCP copay.

	Weight	Copay								
Tier 1	50%	$5	$10	$15	$15	$20	$20	$25	$30	$40
Tier 2	50%	$15	$20	$25	$35	$30	$40	$45	$40	$60
Value Entered in AV Calculator:		**$10**	**$15**	**$20**	**$25**	**$25**	**$30**	**$35**	**$35**	**$50**

PLAN TYPE

There are no differences between BCBSRI's plan types and the plan type selected in the drop-down box in Worksheet 2, Section 1 of the URRT.

MEMBERSHIP PROJECTIONS

Projected membership by product for 2026 reflects actual enrollment as of March 2025. See the chart below for projected HSRI silver plan enrollment by plan and subsidy level.

Current enrollment displayed in the URRT reflects March 2025 membership.

Projected HSRI Enrollment by Plan and Subsidy Level - Silver Plans						
Plan	**Base Plan**	**73% CSR**	**87% CSR**	**94% CSR**	**Zero Cost Sharing**	**Total**
VantageBlue Direct	227	84	419	182	0	912
BlueSolutions for HSA Direct	127	63	186	118	27	521
BasicBlue Direct	0	0	0	0	0	0
BlueCHiP Direct	96	42	144	49	0	331
BlueCHiP Direct Advance	76	83	327	146	0	632

EFFECTIVE RATE REVIEW

Experience Period Claims
The information shown in 'I Data & Rate Change' was used to calculate the Historical Experience Medical Loss Ratios in 'VI MLR Exhibit'.

AV Pricing Values
BCBSRI develops plan relativity values used in rating through the use of a cost model. That model simulates the payment of medical and drug claims for a standard population for various plan cost sharing provisions. The model estimates plan payments by applying each plan's deductibles, coinsurance, copays, and out of pocket maximums to the claims experience of the model's standard population.

Our cost model is built from the actual allowed claims incurred across our total commercial business (Individual, Small Group, and total Large Group) over a twelve-month period, updated each year or every other year. This data is used to develop a claim probability distribution split by type of service, utilization and cost per service. Since it is well established that member cost sharing has an impact on the utilization of medical services, our methodology adjusts the utilization factor to the appropriate level based on the particular plan to be rated. We then re-adjudicate the claims for that plan design.

We make use of multiple data sources to develop and to keep up-to-date the assumptions built into our cost model. The foundation of our model was a rating manual purchased from a nationally known actuarial consulting firm. While we have largely retained that manual's overall structure, the underlying claim costs and utilization assumptions are updated and re-calibrated on an ongoing basis.

Final adjustments to the utilization assumptions in our pricing model are made based on actuarial judgment and comparisons with the pricing practices of other carriers.

Paid-to-Allowed Ratio
The Paid-to-Allowed Ratio for 2026 is calculated to be the ratio between expected paid claims and expected allowed claims under 2026 benefit plans. Projected allowed claims were converted to an expected paid basis by utilizing the actual 2024 paid-to-allowed factor adjusted for the effects of trend.

CSR Silver Load

The chart shows the impact of the loss of federal funding for CSRs on the AV and Cost Sharing factors included in 'III Plan Rates' for the On Exchange silver plans.

AV and Cost Sharing Factors - Silver Plans		
Plan	**Without CSR Adjustment**	**With CSR Adjustment**
VantageBlue Direct 6000/12000 WPD	0.771	0.900
BlueSolutions for HSA Direct 4100/8200 WPD	0.700	0.817
BlueCHiP Direct 5000/10000 WPD	0.765	0.893
BlueCHiP Direct Advance 4950/9900 WPD	0.763	0.891

Terminated Plans

The following plans are being terminated for CY 2026:

Terminated Plans		
Terminated 2025 HIOS Id	Terminated Plan Name	Mapped 2026 HIOS Id
15287RI1190001	BasicBlue Direct 5500/11000 WAPD	15287RI1170001
15287RI1200001	BasicBlue Direct 5500/11000 WAWOPD	15287RI1180001

Components of Premium Change

Inputs for 'V Components of Premium Change' are based on the calculations in 'II Rate Development' and reflect filed dollar amounts for 2025 and 2026. The estimated Reinsurance Recovery PMPM from the State Reinsurance Program is reflected in Item 4 of this worksheet.

The medical and pharmacy trends shown in Items 14-16 differ from what was calculated in Column M. Please see more detailed information below.

Medical Utilization & Severity Trend

Item 14, the medical utilization and severity trend, is calculated by taking the product of the ratio of medical on-system claims to premium and the year 2 medical utilization trend. The year 2 medical utilization trend is calculated as a weighted average using data shown in 'II Rate Development', excluding Out of System provider payments.

This trend also includes the impact of the gene therapy adjustment, large claims manual adjustment, reduced PCP prior authorization adjustment and the induced utilization change. In addition, it accounts for the portion of the prior period adjustment that is driven by medical utilization and severity trend changes.

Medical Cost Trend

The medical cost trend is calculated by taking the product of the ratio of medical on-system claims to premium and the year 2 medical cost trend. The year 2 medical cost trend is calculated as a weighted average using data shown in 'II Rate Development', excluding Out of System provider payments.

This trend also includes the impact of Out of System provider payments and the provider network adjustment. In addition, it accounts for the portion of the prior period adjustment that is driven by medical cost trend changes.

Pharmacy Cost, Utilization, & Severity Trend

The pharmacy cost, utilization & severity trend is calculated by taking the product of the ratio of pharmacy on-system claims to premium and the year 2 total pharmacy trend. The year 2 total pharmacy trend is as shown on 'II Rate Development'.

This trend also includes the impact of Pharmacy rebates. In addition, it accounts for the portion of the prior period adjustment that is driven by pharmacy cost, utilization & severity trend changes.

There are two "Other" categories included on 'V Components of Premium Change'. Details of these categories are shown below.

Other 1

This component reflects the impact of base restatement. It accounts for the actual CY 2024 claims experience, as compared to what we had projected for CY 2024 in the 2025 Rate Filing.

Other 2

This component is a balancing item which accounts for rounding differences between the calculations.

VII 1332 Exhibit

The Calibrated Plan Adjusted Index Rate PMPM values shown in 'VII 1332' were calculated using a $0 expected PMPM for the State Reinsurance Program instead of the $45.85 PMPM actually used in the proposed rate filing. No other assumptions were changed.

Covid-19 Considerations

Utilization Trends

We excluded all Covid-19 testing and vaccine costs from the experience data when analyzing historical professional and outpatient utilization trends.

CY 2024 Experience Period

We did not adjust the 2024 experience period for Covid-19.

Addendum A

Recovery of Care Transformation Collaborative Assessment
Payments to support the Care Transformation Collaborative of RI ("CTC", formerly known as the Chronic Care Sustainability Initiative) are included in this rate filing via an Out of System ("OOS") Liability factor, which is applied to experience period claims for Professional and Other Medical claims in 'I Data & Rate Change' and 'II Rate Development.' The OOS Liability factor also accounts for provider risk sharing payments and Patient Centered Medical Home (PCMH) expenses that are not captured in the experience period claims.

We are not including payments to CurrentCare in this rate filing. We are instead including projected payments for such services in our administrative expenses.

Recovery of State Mandated Assessments
Payments for Childhood Immunization, Adult Immunization, and Children's Health Account are included in this rate filing as the State Mandated Assessments (SMA) component of retention. In this filing, we are using the proposed FY 2026 rates for the Rhode Island Vaccine Assessment Program under the 50% excess release assessment scenario. For the Children's Health Account, we are estimating that the FY 2024 rate will be appropriate for 2026.

We will amend our filing upon approval if the final rate for either program differs from these assumptions. The chart below shows the calculation of the SMA components.

State Mandated Assessments - CY2026		
	2026 PMPM	% of Membership [1]
Adult Immunization	$5.47	88%
Child Immunization	$25.43	12%
Children's Health Account	$9.55	12%
RI member PMPM [2]	$9.01	
% RI Members	99%	
DP PMPM [3]	**$8.91**	

[1] Based on RI Membership.
[2] Membership weighted PMPM applicable to all RI members.
[3] PMPM applicable to all Direct Pay members.

Addendum B

In accordance with the Rate Filing Instructions issued by the Office of Health Insurance Commissioner, BCBSRI submits the following description of the process used to ensure compliance with segregation of funds requirements in accordance with 45 C.F.R. § 156.280.

1. Approved premium rates are loaded into BCBSRI's premium billing system to reflect two components of subscriber premium responsibility – abortion and non-abortion rates. In addition, the Advanced Premium Tax Credit (APTC) is noted for subscribers approved for APTCs. When an Individual plan purchased through HealthSource RI ("HSRI") is billed, the billing system creates three distinct receivables: one for APTC, one for non-abortion premiums, and one for abortion premiums. The APTC receivable portion can only be satisfied by payments received from the federal government in accordance with 45 CFR 156.280(e)(1)(i). The remaining two portions of premium are satisfied by payments received from HSRI on behalf of individual members in accordance with 45 CFR 156.280(e)(2)(i).

2. Upon receipt of a premium payment from HSRI, BCBSRI applies the payments to the receivables for which each member is individually responsible: non-abortion and abortion. The total amount applicable to the abortion receivable is then transferred from the general operating bank account to a separate bank account. It is from this separate bank account that all claims described in 45 CFR 156.280(d)(1) for Individual members enrolled through HSRI are paid in accordance with 45 CFR 156.280(e)(3)(ii)(B).

3. The funds expected to be deposited into the segregated fund during 2026 will be expended or allocated as follows:

    a. Claims for abortion services are identified by procedure code and systematically paid to the healthcare provider that rendered the service ("Abortion Claim Payments"). Abortion Claim Payments for Individual members enrolled through HSRI are disbursed from the separate bank account by BCBSRI's Universal Claims Disbursement System.

    b. The segregated bank account and associated general ledger accounts are reconciled regularly and reviewed by BCBSRI's finance department management and discrepancies are researched and resolved by BCBSRI's finance department staff. Standard controls related to financial accounting and reporting are also applicable to the segregated fund accounts.

    c. After a reasonable period of claims run-out, funds that were deposited into the separate bank account for 2026 will be transferred to reserves in accordance with the Report and Recommendation of the Hearing Officer, as adopted by the Order and Decision of the Commissioner, in OHIC-2014-1 (dated July 16, 2014).

4. The amount of funds expected to be deposited into the segregated fund during 2026 was calculated as follows:

    a. The amount of funds expected to be deposited into the segregated fund during 2026 is $64,876, or $1.00 PMPM.

    b. This was calculated by estimating 218,064 member months for 2026 with thirty percent enrolled in plans purchased through HSRI which have abortion coverage. This number was then multiplied by $1.00 PMPM.

5. The total amount of abortion-related charges and associated administrative fees for plans purchased through HSRI that are expected to be charged against the fund in 2026 are as follows:

    a. The total amount of abortion related charges for plans purchased through HSRI that are expected to be charged against the fund is $16,981 or $0.17 PMPM.

    b. The total amount of associated administrative fees for plans purchased through HSRI that are expected to be charged against the fund is $6,014, or $0.09 PMPM. Administrative fees are calculated by applying the administrative expense load proposed for the 2026 Individual market rate filing to the expected premium of $1.00 PMPM for 2026.

Based upon the information provided in this Addendum B, BCBSRI believes it fully complies with Section 1303 of the ACA and applicable regulations at 45 C.F.R. § 156.280, as well as the 2017 CMS Bulletin Addressing Enforcement of Section 1303 of the Patient Protection and Affordable Care Act.

RELIANCE

In developing this rate filing, I relied on information drawn from various areas within BCBSRI, including Analytics, Legal, Strategic Marketing, Financial Planning and Budgets. Such information included projections of provider price increases, enrollment, and operating expenses. All this information was collected and conveyed to me in accordance with our established methods and reviewed for reasonableness by me. While I did not audit this data, I consider this information to be reliable. If the underlying data or information is inaccurate or incomplete, the results of my analysis may likewise be inaccurate or incomplete.

ACTUARIAL CERTIFICATION

I, Brian Mackintosh, am a member in good standing, of the American Academy of Actuaries and meet the Academy qualification standards for rendering this opinion. To the best of my knowledge and judgment, the projected Index Rate was developed in compliance with all applicable State and Federal statutes and regulations, in particular 45 CFR 156.80 and 147.102, and in compliance with applicable Actuarial Standards of Practice. It is my opinion that the Index Rate is reasonable in relation to the benefits proposed to be offered and the population anticipated to be covered and is neither excessive nor deficient. Plan level rates were developed using only the Index Rate and allowable modifiers as described in 45 CFR 156.80(d)(1) and 45 CFR 156.80(d)(2).

The geographic cost factor does not include differences for population morbidity by geographic area.

The Federal AV calculator was used to generate all AV values and metal levels. The development of the actuarial value is based on one of the acceptable alternative methods outlined in 156.135(b)(2) or 156.135(b)(3) for benefits that deviate substantially from the parameters of the AV calculator and have a material impact on the actuarial value. The analysis was reviewed by a member of the American Academy of Actuaries and performed in accordance with generally accepted actuarial principles and methods.

The Unified Rate Review Template does not demonstrate the exact process used to develop rates. Rather it represents information required by federal regulation to be provided in support of the review of rate increases and for certification that the Index Rate is developed in accordance with federal regulation and used consistently and that it is only adjusted by the allowable modifiers.

Signed by:
Brian Mackintosh
040CE39A26F5495...
Signature of Actuary

5/16/2025
Date