

**HEALTH CARE SERVICE CORPORATION  
ACTUARIAL MEMORANDUM**

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**SCOPE AND PURPOSE OF FILING**

This rate filing is to comply with the Illinois Department of Insurance (IDOI) Company Bulletin 2022-05 and follows the format requested in “Checklist for Renewal of Transitional (Grandmothered) Policy Plans”.

The scope of this filing is for Blue Cross Blue Shield (BCBSIL), a division of Health Care Service Corporation, fully-insured, Individual Under-65 benefits. This filing contains rates for only Transitional, Non-Metallic business. This block of business is filed with the IDOI, and the complete list of policy forms and benefit summaries can be found in Appendix A of this document.

[REDACTED]

[REDACTED]

**REQUESTED RATE ACTION**

All Transitional U65 Major Medical products were pooled for rate development for stability of the rates. The proposed rate action for this block is 14.5%, effective 1/1/2026.

[REDACTED]

**REASON FOR RATE INCREASE (ATTRIBUTION ANALYSIS)**

The proposed rates are primarily based on the following factors:

[REDACTED]

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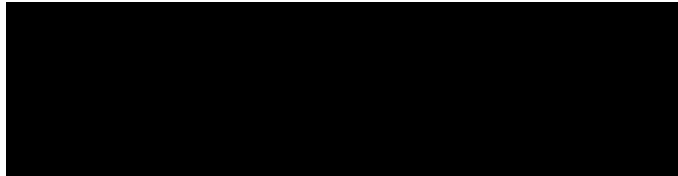
**HISTORICAL RATE INCREASES**

These products have had the following adjustments:

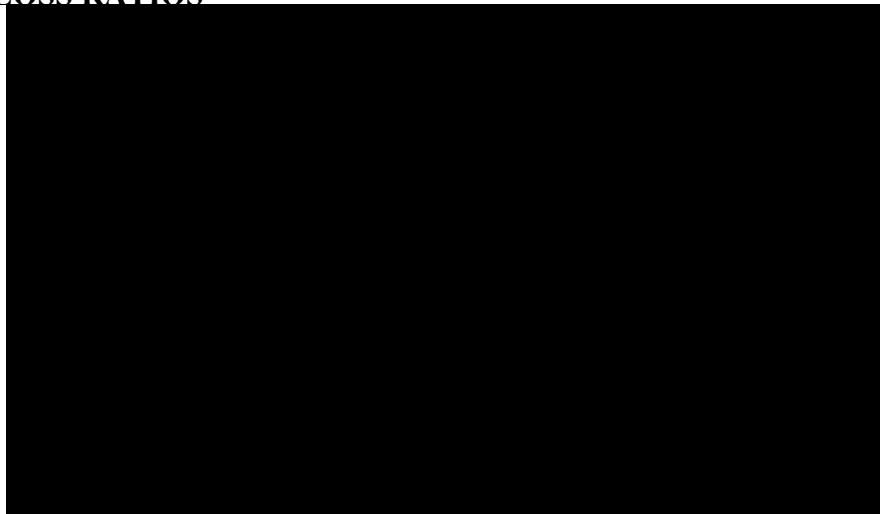
<u>Effective Date</u>	<u>Increase</u>	<u>SERFF ID</u>
January 1, 2025	9.90%	ILCP-134231909
January 1, 2024	6.70%	ILCP-133786949
January 1, 2023	4.70%	ILCP-133354907
January 1, 2022	0.00%	ILCP-133074975
January 1, 2021	0.00%	ILCP-131562457
January 1, 2020	0.00%	ILCP-131562457
January 1, 2019	-9.00%	ILCP-131562457
January 1, 2018	15.20%	ILCP-131097618
January 1, 2017	41.40%	ILCP-130635616
January 1, 2016	39.70%	ILCP-130148693
January 1, 2015	26.80%	ILCP-129616629
January 1, 2014	4.10%	ILCP-129322376
August 1, 2013	4.70%	ILCP-128966246 (NGF Open), ILCP-128966250 (NGF Closed)

**TARGET LOSS RATIO**

The Target Loss ratio for the rating and two prior periods:



**HISTORIC LOSS RATIOS**



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**TYPE OF POLICY & DESCRIPTION OF BENEFITS**

See Appendix A for a full description of benefits.

**RENEWABILITY CLAUSE**

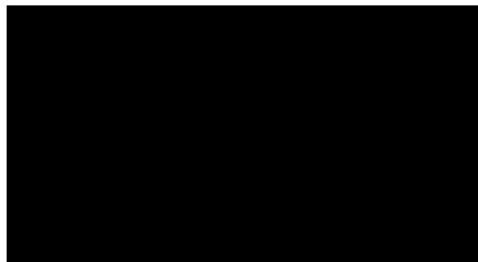
This block of business is guaranteed renewable.

**MARKETING METHOD**

These policies are now closed.

**UNDERWRITING METHOD**

Underwriting tiers include provisions for smoker rates and for applicants who do not meet individual policy



**PREMIUM CLASSIFICATIONS**

Premium classes vary by policy form. They are currently age, area, sex, family status, underwriting tier and generation.

**AGE BASIS AND ISSUE AGE**

Premiums are based on attained age. This is a closed block, and therefore there are no new policies.

**AREA FACTORS**

Area factors and definitions may vary by policy form.



The area factors for the most recently marketed products are as follows:

Area Definitions:

Areas are defined by zip codes to approximate the following counties:

Area 1: "Chicago" zip codes

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Area 2: Non-Area 1 Cook, DuPage, Lake, & Will counties

Area 3: Kane, McHenry, Madison, & St. Clair counties

Area 4: All Other Illinois counties



**AVERAGE PREMIUM BEFORE AND AFTER RATE INCREASE**

The average premium before the rate increase is expected to be [REDACTED]. The average premium after the rate increase is expected to be [REDACTED]

**HISTORICAL FINANCIAL EXPERIENCE**



**DESCRIPTION AND DEMONSTRATION OF DEVELOPMENT OF INCREASE**

The demographic assumption was consistent with historical experience.

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*Lapse:*

[REDACTED]

*Trend:*

[REDACTED]

The source data has adjustments applied:

- to normalize for age, gender, and morbidity,
- to complete the data,
- for number/type of days of the week, holidays,
- for any one-time events not anticipated to reoccur during the projection period,
- for anticipated changes to the provider contracts that differ from those underlying the experience period, and
- for anticipated changes to prescription drug mix, unit cost, and utilization.

[REDACTED]

*Interest Rate:*

Interest rate assumptions were not used in rate development.

*Side by Side Comparison of Assumptions to Prior Filing:*

[REDACTED]



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**DESCRIPTION AND DEMONSTRATION OF CHANGES IN RATING FACTORS**

There are no changes to any of the rating factors being filed at this time. [REDACTED]

**BASE PERIOD EXPERIENCE**

The experience period claims used to develop the proposed rate were claims incurred during calendar year 2024. Payments have been made through the end of June 2025 on claims incurred during the experience period, calendar year 2024.

The methodology used to develop the estimate of claims incurred but not yet paid incorporates estimates based upon developed completion factors. Consideration is given to additional relevant information not fully reflected in the pricing model. Model results are evaluated for reasonableness and actuarial judgment may be applied.

The claims used to develop any completion factors reflect the experience period claims for the information submitted. The incurred but not paid claims are not unusually high or unusually low relative to the experience period claims paid.

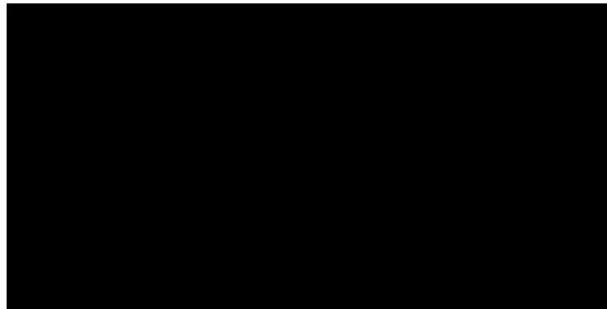
The average incurred but not yet paid factor for allowed claims is [REDACTED] and the average incurred but not yet paid factor for paid claims is [REDACTED]

**CONTRACT RESERVES:**

There are no contract reserves set up for these policies.

**ALLOWED CLAIMS BY SERVICE TYPE**

The 2024 Calendar Year base period allowed claims by service category are as follows:



**PAID CLAIMS BY SERVICE TYPE**

The 2024 Calendar Year base period paid claims by service category are as follows:



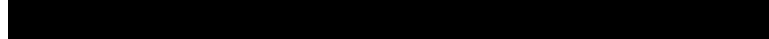
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**EXPERIENCE PERIOD MEMBER MONTHS**



**CREDIBILITY ANALYSIS**

The experience period claims were determined to be fully credible. The assignment of full credibility is consistent relative to Actuarial Standard of Practice No. 25, Credibility Procedures, specifically section 3.4, "Professional Judgment." The ASOP states, "...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."

This is a closed block with an established population. As such, we felt that applying 100% credibility was appropriate.

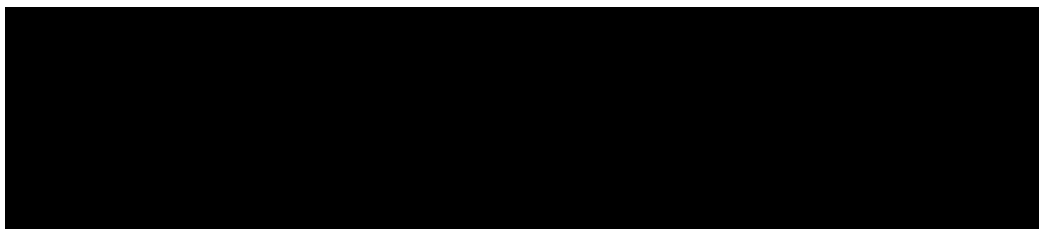
There are no material changes from the prior credibility procedures.

The plans were all rated together and as such, no pooling was necessary. Large claims were included in the experience period, as the experience in aggregate is deemed as 100% credible.

**TREATMENT OF REINSURANCE**

This is not applicable to Non-ACA business.

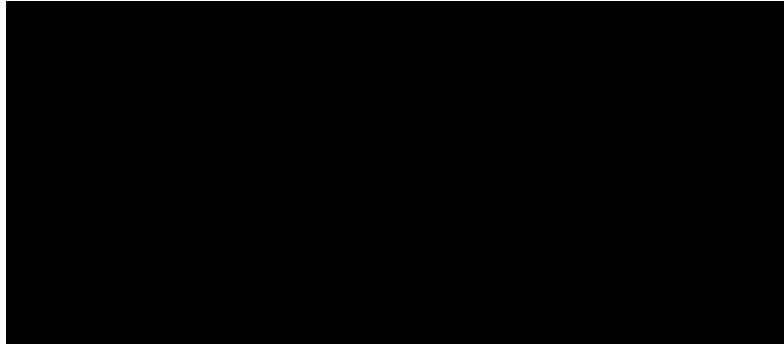
**PROJECTED MEMBERSHIP**



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**PROJECTION FACTORS BY TYPE OF SERVICE**



**PROJECTED CHANGES IN BENEFITS:**

The assumptions for changes in benefits are developed by comparing the benefits from the experience period to the benefits covered for transitional plans in the projection period.

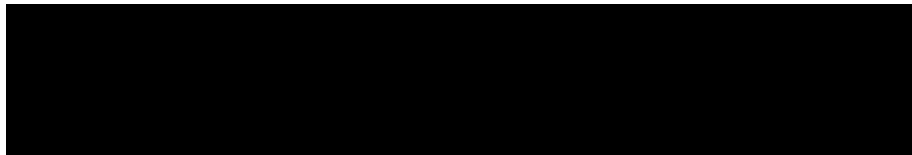
The minimum deductible for the Health Saving Account (HSA) plans increase to \$1,700 for self-only coverage and \$3,400 for family coverage.

**PROJECTED CHANGES IN THE DEMOGRAPHICS OF THE POPULATION  
INSURED:**

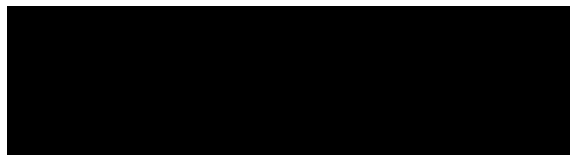
The assumptions for changes in demographics are developed by comparing the population mix from the experience period to the assumed population mix in the projection period.

**HISTORIC TRENDS**

Actual vs Expected trend for the past 2 years is as follows:



**PROJECTED TRENDS**



**SUMMARY OF CHANGES FROM PREVIOUS FILING:**

As stated above, there are minor benefit changes to the HSA compliant plans. There were no changes to any rating factors. The expected admin expense loads and commissions in the prior and current filing are as follows:

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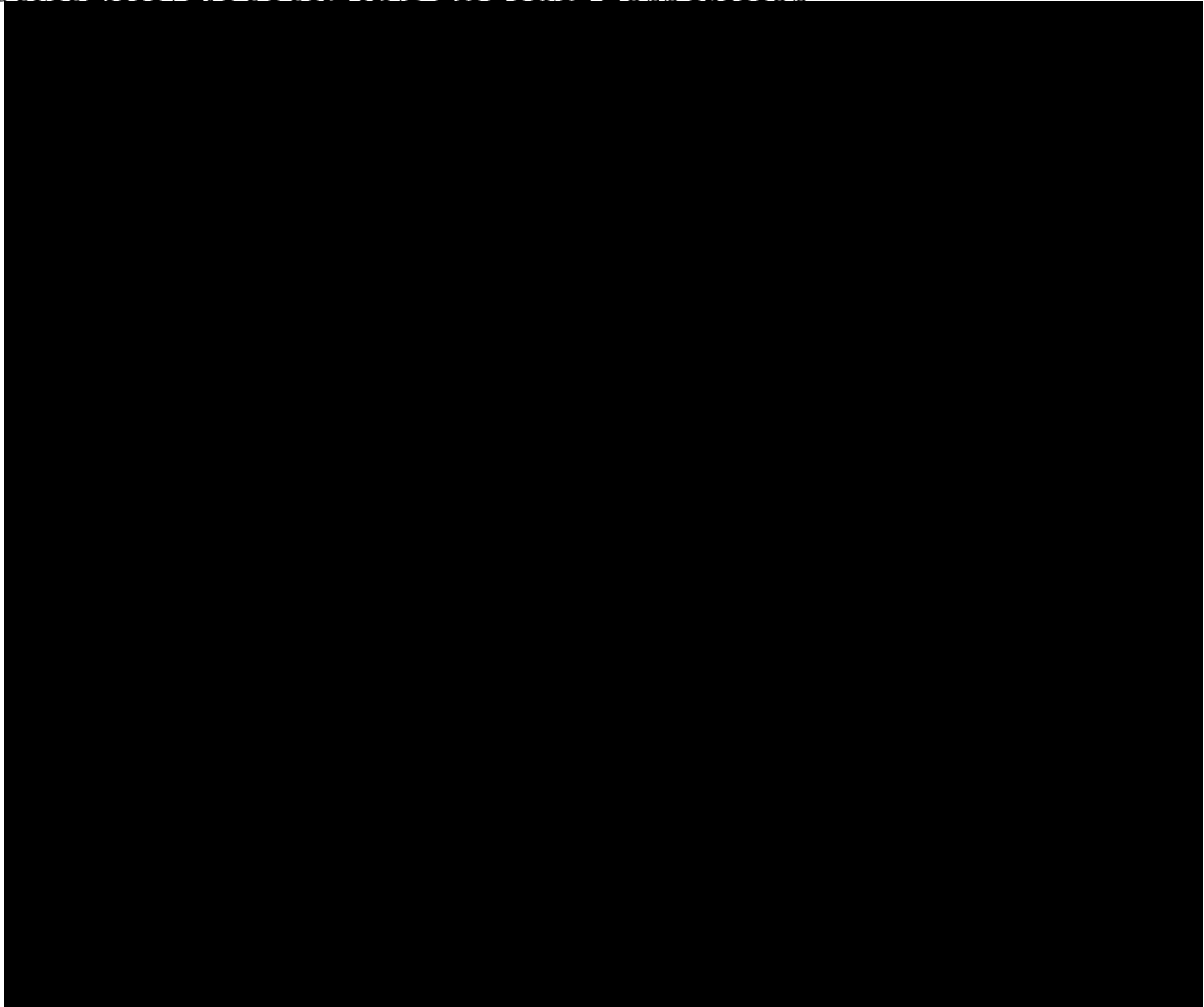
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**PROJECTED LOSS RATIO WITH AND WITHOUT PROPOSED RATE INCREASE**

The projected traditional loss ratio in 2026 with rate increase is [REDACTED]. The projected traditional loss ratio in 2026 with no rate increase is [REDACTED].

**CUMULATIVE, FUTURE AND LIFETIME LOSS RATIOS**



There is no Lifetime Loss Ratio for this block of business.

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**COMPANY'S REBATE MLR FOR MARKET:**

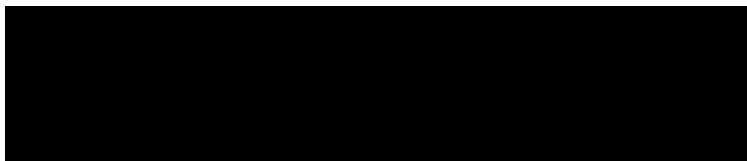
The federal rebate MLR applicable to this market with the credibility adjustment is 80%.

**PROJECTED FEDERAL MLR**

The projected loss ratio using the Federally prescribed MLR methodology is 

**EXPLANATION WHEN THE FUTURE LOSS RATIO IS NOT CONSISTENT WITH THE FEDERAL REBATE MLR:**

The future loss ratio is the projected traditional loss ratio for transitional plans while the federal rebate MLR is adjusted for quality improvement, taxes, and fees. The MLR calculation is in line with the formula in the HHS Notice of Benefits and Payment Parameters. The following were used to adjust claims and premiums for purposes of calculating MLR:

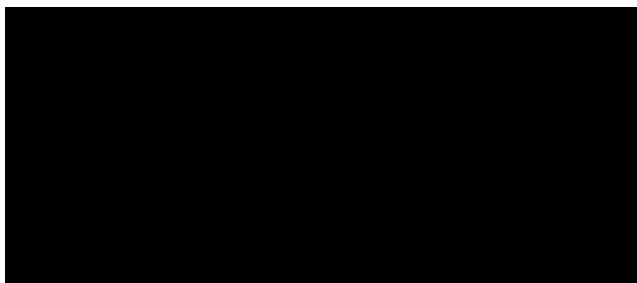


$$MLR = [(i + q - s + n - r) / \{(p + s - n + r) - t - f - (s - n + r)\}] + c$$

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
- s = issuer's transitional reinsurance receipts
- 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.

**ADMINISTRATIVE COSTS AND LOAD INCLUDED IN RATES**

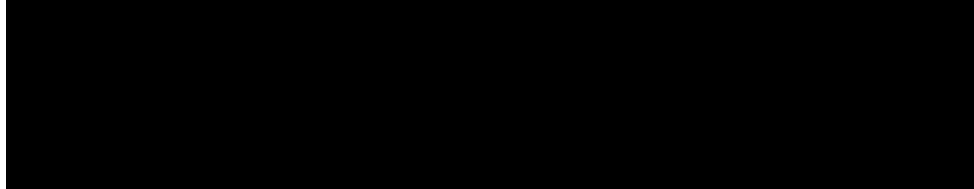


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**COMMISSION SCHEDULE**

The following commission schedule became effective on of January 1, 2014.



**RATE FILING DISCLOSURE FORM**

This is included as a separate attachment in the SERFF filing, as requested.

**RELIANCE**

I have relied upon financial data, summaries, analyses, and business plans prepared by responsible officers and employees of Health Care Service Corporation. In other respects, my analysis included such review of the assumptions as I considered necessary.

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**CERTIFICATIONS OF COMPLIANCE**

**IDENTIFICATION OF THE CERTIFYING ACTUARY:**

I, [REDACTED], am an employee of Blue Cross Blue Shield of Illinois, a Division of Health Care Service Corporation, a Mutual Legal Reserve Company. I am a Member of the American Academy of Actuaries, and a Fellow in the Society of Actuaries, and I meet the qualification standards appropriate for this Rate Filing Actuarial Memorandum and Justification Review Standards. I certify that, to the best of my knowledge, this rate filing is in compliance with the applicable laws and regulations of the State of Illinois and the applicable federal statutes and complies with all Actuarial Standards of Practice.

The rates referenced in this filing reflect the negotiated prices from the provider contracts and the expected utilization of the plan.

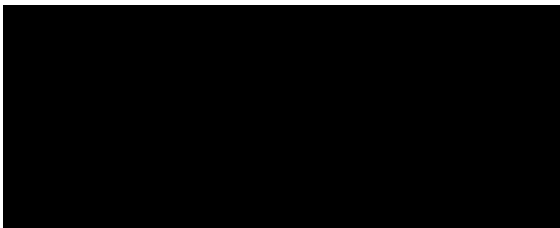
I have relied upon financial data and summaries prepared by responsible officers and employees of Blue Cross Blue Shield of Illinois. In other respects, my analysis included such review of assumptions as I considered necessary.

For preparation of the rates, items identified above:

- (i) are computed in accordance with commonly accepted actuarial standards consistently applied and are fairly stated in accordance with sound actuarial principles.
- (ii) are in compliance with the applicable laws and regulations of the State of Illinois
- (iii) are in compliance with applicable federal statutes
- (iv) make a good and sufficient provision for all unpaid claims of the organization under the terms of its contracts and agreements.
- (v) include appropriate provisions for all actuarial items which ought to be established.

To the best of my knowledge and judgment, the referenced rates are reasonable in relation to anticipated experience of Blue Cross Blue Shield of Illinois and are neither excessive, inadequate, nor unfairly discriminatory.

Respectfully submitted,



Date: 10/29/2025

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**Appendix A: Policy Forms and General Description of Benefits:**

The summary begins on the following page. This information is included for informational purposes only, as it pertains to the review of this rate filing. It is not to be considered a complete listing of benefits. The benefits filed with the policy forms (as listed in this memorandum) should be referenced for further information and take precedence over this summary.

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



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[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



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[illegible]