



BEFORE THE IOWA INSURANCE COMMISSIONER

---

IN THE MATTER OF:	)	
	)	Division File No. <u>95876</u>
GOLDEN RULE INSURANCE COMPANY 2018	)	
INDIVIDUAL HEALTH INSURANCE RATE	)	<b>DECISION AND ORDER</b>
	)	

---

NOW THEREFORE, the Commissioner has taken up for consideration the 2018 individual health insurance rate of Golden Rule Insurance Company (“Golden Rule”). Being fully informed, the Commissioner enters the following decision and order:

**FINDINGS AND CONCLUSIONS**

1. On June 13, 2017 the Iowa Insurance Division (the “Division”) received an annual individual health insurance premium rate filing (“06/13/17 Rate Filing”) for Golden Rule plans qualified as “Grandfathered” or “Transitional” under the federal Patient Protection and Affordable Care Act (“ACA”). Golden Rule proposed a uniform 27% rate increase for the plans, effective January 1, 2018, for 2,017 existing policyholders, covering 4,485 lives.
2. When the ACA was enacted it allowed “Grandfathered” plans. When the ACA was implemented, additional “Transitional” plans were allowed. These are closed blocks, meaning that those individuals who choose to keep their plans may do so, but new entrants into the individual health insurance market must join the ACA Compliant individual market.
3. The standard of rate review for any health insurance rate review requires a determination that the rates are not inadequate, not excessive, and do not unfairly discriminate. Further, the rates must be actuarially sound.
4. For any health insurance rate increase proposal, the review involves analyzing the carrier’s experience (premiums vs. claims), trend (the growth in the cost of the claims caused by

unit cost increases along with utilization increases), and other assumptions to determine if the rate increase proposal is actuarially justified. A technically sophisticated analysis with several different models is utilized to gauge the validity and reasonableness of the proposal. The type of analysis utilized, the formulas and methodology, and overall process have developed over a period of many years and have been reviewed by consulting actuaries for completeness and appropriateness.

5. Pursuant to a Governor's directive from 2010, and in accordance with Iowa Code §505.15, whenever any health insurance company that conducts business in Iowa submits a health insurance premium rate increase request to the Division, the Commissioner must utilize an independent, qualified third-party actuary to conduct a secondary review to determine the adequacy and appropriateness of the proposed rate. The Division has standing contracts with several actuarial firms, and selected Magnum Actuarial Group to perform the independent actuarial review.<sup>1</sup> Specific tests and criteria used to determine the validity of the request is outlined in the report. The independent review is performed simultaneously with the statutorily required Division in-house review.

6. The Division and Magnum actuarial reviews reveal Golden Rule's untrended past loss ratios for this block have averaged slightly less than 82.6% over the last 25-months. In the absence of a rate increase for calendar year 2018, the Division projected a loss ratio of over 98% which significantly exceeds the 80% minimum.

7. An initial review was conducted by the Division and Magnum of the 06/13/17 Rate Filing and the Division concluded that a 27% rate increase would result in projected 2018 loss ratios falling below 80%.

---

<sup>1</sup> Actuarial Review of Golden Rule Proposed 2018 Individual Health Insurance Rates was performed by Magnum Actuarial Group on July 27, 2017.

8. The Division requested that Golden Rule modify its proposal to a 22% increase, which would result in a projected loss ratio of just over 81%.

9. The Division's "Golden Rule Rate Filing Observations for 2018" is also available for public review the Iowa Insurance Consumer Advocate's website:

<https://iainsuranceca.wordpress.com>.

10. The proposed rates as modified would cause an average premium increase of \$50 per month, resulting in a 2018 projected average monthly premium of \$272 up from the current average monthly premium of \$222. This is an average based upon all members, all age groups, all benefit plans, all geographic regions, etc.

11. Iowa Code §505.19 requires the Commissioner to hold a public hearing on any proposed health insurance rate increase (for individual medical insurance) which exceeds the average annual health spending growth rate as published by CMS. The current threshold percentage is 6.5%. A hearing on the proposed rate was scheduled for and held on Saturday, August 26, 2017 at 10:00 a.m. at the Mercy College of Health Sciences, Sullivan Center, Des Moines, Iowa ("08/26/17 Hearing").

12. Prior to the 08/26/17 Hearing, the Consumer Advocate for the Division solicited and received public comments on Golden Rule's proposed health insurance rate increases. Those comments are also available for review at the Iowa Insurance Consumer Advocate's website. Access to the 08/26/17 Hearing was made available at six locations around the state via the Iowa Communications Network ("ICN").

13. The Commissioner reviewed the actuarial reports from Magnum Actuarial Group. The Commissioner also consulted with financial and actuarial staff within the Division prior to issuing this decision and order.

14. Based upon these comments received prior to and at the 08/26/17 Hearing, the Division prepared case studies to evaluate affordability, evaluating households at various income levels with respect to the plans in the 06/13/17 Rate Filing.

15. The first chart of case studies involves a household consisting of two 55 year-old individuals:

**Golden Rule Pre-ACA non-grandfathered transitional premium examples Iowa City Region (Two 55-year-olds)**

Plan 80 \$2,500 Ded				
Age	Income	FPL	Monthly Premium	Annual Premium as % of income
55	60,088.00	370%	816.77	16.31%
55	73,080.00	450%	816.77	13.41%
55	89,320.00	550%	816.77	10.97%

Plan 80 \$3,500 Ded				
Age	Income	FPL	Monthly Premium	Annual Premium as % of income
55	60,088.00	370%	722.94	14.44%
55	73,080.00	450%	722.94	11.87%
55	89,320.00	550%	722.94	9.71%

CoPay Select \$2,500 Ded, 80% coinsurance				
Age	Income	FPL	Monthly Premium	Annual Premium as % of income
55	60,088.00	370%	1,040.69	20.78%
55	73,080.00	450%	1,040.69	17.09%
55	89,320.00	550%	1,040.69	13.98%

CoPay Select \$3,500 Ded, 80% coinsurance				
Age	Income	FPL	Monthly Premium	Annual Premium as % of income
55	60,088.00	370%	936.19	18.70%
55	73,080.00	450%	936.19	15.37%
55	89,320.00	550%	936.19	12.58%

\* Families with incomes up to 300% would be eligible to have children covered under CHIP

16. The second chart of case studies involves a household consisting of two 28 year-old individuals with two children:

**Golden Rule Pre-ACA non-grandfathered transitional premium examples Iowa City Region (28-year-old parents with \*twins age 4)**

Plan 80 \$2,500 Ded				
Age	Income	FPL	Monthly Premium	Annual Premium as % of income
28	60,270.00	245%	588.59	11.72%
28	110,700.00	450%	588.59	6.38%
28	135,300.00	550%	588.59	5.22%

Plan 80 \$3,500 Ded				
Age	Income	FPL	Monthly Premium	Annual Premium as % of income
28	60,270.00	245%	522.48	10.40%
28	110,700.00	450%	522.48	5.66%
28	135,300.00	550%	522.48	4.63%

CoPay Select \$2,500 Ded, 80% coinsurance				
Age	Income	FPL	Monthly Premium	Annual Premium as % of income
28	60,270.00	245%	759.19	15.12%
28	110,700.00	450%	759.19	8.23%
28	135,300.00	550%	759.19	6.73%

CoPay Select \$3,500 Ded, 80% coinsurance				
Age	Income	FPL	Monthly Premium	Annual Premium as % of income
28	60,270.00	245%	684.55	13.63%
28	110,700.00	450%	684.55	7.42%
28	135,300.00	550%	684.55	6.07%

\* Families with incomes up to 300% would be eligible to have children covered under CHIP

17. The median household income in Iowa is estimated to be around \$60,000 per year.
18. The Division trend models justify a trend rate between 9 and 10 percent based upon a review of the PMPM claims and adjusted loss ratios. With the current loss ratios and the growth



of claims increasing between 9 and 10 percent, the Division's projected loss ratio is approximately 81% after the 22% increase is applied.<sup>2</sup>

19. While not necessarily part of a traditional actuarial rate review, Golden Rule has posted an underwriting loss of over \$1 million in its individual market for calendar year 2016. This information was retrieved from the 2016 Supplemental Health Care Exhibit (SHCE)' contained within their Annual Statement to the Iowa Insurance Division.

20. If approved, Golden Rule's 06/13/17 Rate Filing as modified will generate rates that are actuarially supported and are actuarially sound.

### **ORDER**

Golden Rule's 06/13/17 Rate Filing as modified is reasonable and actuarially sound. The Commissioner reviewed the actuarial reports from Magnum Actuarial Group and consulted with financial and actuarial staff within the Division prior to issuing this decision. The continued increase in health costs is concerning and numerous Iowans will be significantly impacted by this decision, but rate proposal as modified is supported by the claims and adjusted loss ratios.

Golden Rule's 06/13/17 Rate Filing as modified does not propose rates that are inadequate, excessive or unfairly discriminatory.

THEREFORE, Golden Rule's 06/13/17 Rate Filing as modified is approved.

SO ORDERED on this 18<sup>th</sup> day of September, 2017.



---

DOUGLAS M. OMMEN  
Commissioner of Insurance

---

<sup>2</sup> If the proposed increase is too aggressive which causes the loss ratio to dip below 80%, affected Iowans should receive a rebate under Federal law.