



BEFORE THE IOWA INSURANCE COMMISSIONER

IN THE MATTER OF:)	
)	Division File No. <u>95878</u>
WELLMARK, INC. 2018)	
INDIVIDUAL HEALTH INSURANCE RATE)	DECISION AND ORDER
)	
)	

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

FINDINGS AND CONCLUSIONS

1. On June 19, 2017 the Iowa Insurance Division (the “Division”) received an annual individual health insurance premium rate filing (“06/19/17 Rate Filing”) for Wellmark, Inc. plans qualified as “Grandfathered” or “Transitional” under the federal Patient Protection and Affordable Care Act (“ACA”). Wellmark proposed a uniform 14.2% base rate increase for all pools included in the Farm Bureau Federation plans, a 9.4% increase for all pools marketed through Direct or Independent Agents and a 14.2% increase on existing Iowa Basic and Standard plans, with variations by plan, effective January 1, 2018, for 38,228 existing policyholders, covering 73,013 lives. The proposed rate amounts to 12.2% on average weighted by written premium.

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. The proposed rates would cause an average premium increase of \$44 per month, resulting in a 2018 projected average monthly premium of \$406.67 up from the current average monthly premium of \$362.57. This is an average based upon all members, all age groups, all benefit plans, all geographic regions, etc.).

6. 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.¹ Specific tests and criteria used to determine the validity of the request is

¹ Actuarial Review of Wellmark Proposed 2018 Individual Health Insurance Rates was performed by Magnum Actuarial Group on July 27, 2017.

outlined in the report. The independent review is performed simultaneously with the statutorily required Division in-house review.

7. The Division's "Wellmark Rate Filing Observations for 2018" is also available for public review the Iowa Insurance Consumer Advocate's website: <https://iainsuranceca.wordpress.com>.

8. 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").

9. Prior to the 08/26/17 Hearing, the Consumer Advocate for the Division solicited and received public comments on Wellmark'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").

10. 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.

11. The written comments and testimony before and during the 08/26/17 Hearing indicate that Wellmark's 06/19/17 Rate Filing rate increases are concerning for many individuals.

12. Based upon these comments, the Division prepared case studies to evaluate affordability, evaluating households at various income levels with respect to the plans in the 06/19/17 Rate Filing.

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

Wellmark Pre-ACA non-grandfathered transitional premium examples Iowa Statewide (Two 55-year-olds)

NGF Silver 3000 (Farm Bureau Pool 5)

Age	Income	FPL	Monthly Premium	Annual Premium as % of income
55	60,088.00	370%	918.60	18.35%
55	73,080.00	450%	918.60	15.08%
55	89,320.00	550%	918.60	12.34%

NGF Blue Value 3500 (Farm Bureau Pool 5)

Age	Income	FPL	Monthly Premium	Annual Premium as % of income
55	60,088.00	370%	525.40	10.49%
55	73,080.00	450%	525.40	8.63%
55	89,320.00	550%	525.40	7.06%

Comprehensive \$3,000 (Wellmark Pool 5)

Age	Income	FPL	Monthly Premium	Annual Premium as % of income
55	60,088.00	370%	1,316.50	26.29%
55	73,080.00	450%	1,316.50	21.62%
55	89,320.00	550%	1,316.50	17.69%

Comprehensive \$4,500 (Wellmark Pool 5)

Age	Income	FPL	Monthly Premium	Annual Premium as % of income
55	60,088.00	370%	1,195.30	23.87%
55	73,080.00	450%	1,195.30	19.63%
55	89,320.00	550%	1,195.30	16.06%

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

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

Wellmark Pre-ACA non-grandfathered transitional premium examples Iowa Statewide (28-year-old parents with *twins age 4)

NGF Silver 3000 (Farm Bureau Pool 5)

Age	Income	FPL	Monthly Premium	Annual Premium as % of income
28	60,270.00	245%	805.00	16.03%
28	110,700.00	450%	805.00	8.73%
28	135,300.00	550%	805.00	7.14%

NGF Blue Value 3500 (Farm Bureau Pool 5)

Age	Income	FPL	Monthly Premium	Annual Premium as % of income
28	60,270.00	245%	460.50	9.17%
28	110,700.00	450%	460.50	4.99%
28	135,300.00	550%	460.50	4.08%

Comprehensive \$3,000 (Wellmark Pool 5)

Age	Income	FPL	Monthly Premium	Annual Premium as % of income
28	60,270.00	245%	1,304.90	25.98%
28	110,700.00	450%	1,304.90	14.15%
28	135,300.00	550%	1,304.90	11.57%

Comprehensive \$4,500 (Wellmark Pool 5)

Age	Income	FPL	Monthly Premium	Annual Premium as % of income
28	60,270.00	245%	1,184.90	23.59%
28	110,700.00	450%	1,184.90	12.84%
28	135,300.00	550%	1,184.90	10.51%

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

15. The median household income in Iowa is estimated to be around \$60,000 per year.

16. The Division and Magnum actuarial reviews reveal Wellmark’s untrended past loss ratios for these blocks have averaged nearly 86% over the last seven years. In the absence of a rate

increase for calendar year 2018, the Division projects a loss ratio of approximately 94% which significantly exceeds the 80% minimum.

17. The Division trend models justify a trend rate between 8 and 9 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 8 and 9 percent, the Division's projected loss ratio is approximately 83 to 84 percent after the 12.2% increase is applied.²

18. If approved, Wellmark's 06/19/17 Rate Filing will generate rates that are actuarially supported and are actuarially sound.

ORDER

Wellmark's 06/19/17 Rate Filing 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 is supported by the claims and adjusted loss ratios.

Wellmark's 06/19/17 Rate Filing does not propose rates that are inadequate, excessive or unfairly discriminatory.

THEREFORE, Wellmark's 06/19/17 Rate Filing is approved.

SO ORDERED on this 18th day of September, 2017.



DOUGLAS M. OMMEN
Iowa Insurance Commissioner

² 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.