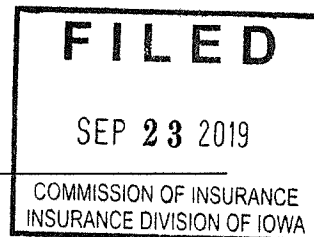


BEFORE THE IOWA INSURANCE COMMISSIONER



IN THE MATTER OF:)
)
WELLMARK, INC. 2020) Division File No. 103406
INDIVIDUAL HEALTH INSURANCE RATE) **DECISION AND ORDER**
)
)

NOW THEREFORE, the Commissioner has taken up for consideration the 2020 pre-ACA 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 17, 2019, the Iowa Insurance Division (the “Division”) received an annual individual health insurance premium rate filing (“6/17/19 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 12.4% base rate increase for all pools included in the Farm Bureau Federation plans, an 12.6% increase for all pools marketed through Direct or Independent Agents and a 12.4% increase on existing Iowa Basic and Standard plans, with variations by plan, effective January 1, 2020 covering 54,500 lives. The proposed rate amounts to 12.5% 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’s 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 \$55 per month, resulting in a 2020 projected average monthly premium of \$497 up from the current average monthly premium of \$442. 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. 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.

7. The Division's "IID Wellmark BCBS Rate Filing Observations for 2020" is also available for public review on the Division's website: <https://iid.iowa.gov/2020-wellmark-bcbs-pre-aca-rate-increase-information>

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 5.5%. A hearing on the proposed rate was scheduled for and held on Saturday, August 24, 2019 at 9:00 a.m. at Two Ruan Center, Lobby Auditorium, 601 Locust Street, Des Moines, IA. ("08/24/19" Hearing").

9. Prior to the 08/24/19 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 Division's website. Access to the 08/24/19 Hearing was made available via Adobe Connect, which any Iowan could access online.

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 08/24/19 Hearing indicate that Wellmark's 06/17/19 Rate Filing rate increases are concerning for many individuals.

12. The actuarial reviews conducted by the Division and Magnum Actuarial Group 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 2020, the Division projects a loss ratio of approximately 92% (Farm Bureau + Wellmark 'direct placed' combined) which significantly exceeds the 80% minimum. Magnum Actuarial Group projects a loss ratio of 97.4% (Farm Bureau) and 98% (Wellmark 'direct placed') assuming status quo premiums.

13. The Division trend models justify a trend rate in the range of 8 to 10 percent based upon a review of the PMPM claims and adjusted loss ratios. With the current loss ratios and the growth of claims approaching in the range of 8 to 10 percent, the Division's projected medical loss ratio is approximately 86% (Farm Bureau + Wellmark 'direct placed' combined) after the 12.5% increase is applied.¹ Magnum Actuarial Group's projected medical loss ratios are 92.6% (Farm Bureau) and 93% (Wellmark 'direct placed') after the increase is implemented.²

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

ORDER

Wellmark's 06/17/19 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 past and projected experience.

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

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

SO ORDERED on this 23rd day of September, 2019.



DOUGLAS M. OMMEN
Iowa Insurance Commissioner

¹ If the proposed increase is too aggressive which causes the company medical loss ratio to dip below 80% over a certain time period, affected Iowans could receive a rebate under Federal law.

² Please note the Division makes a clear distinction between 'loss ratio' and 'medical loss ratio.' The term 'medical loss ratio' is a Federal term and allows for the deduction of certain taxes and fees from the premium in the formula. Consequently, the 'medical loss ratio' will always differ (and be higher) than the 'loss ratio'.