

BEFORE THE IOWA INSURANCE COMMISSIONER

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|----------------------------------|---|---------------------------------|
| IN THE MATTER OF:                | ) |                                 |
|                                  | ) | Division File No. <u>111252</u> |
| WELLMARK, INC. 2022              | ) |                                 |
| INDIVIDUAL HEALTH INSURANCE RATE | ) | <b>DECISION AND ORDER</b>       |
|                                  | ) |                                 |
|                                  | ) |                                 |

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NOW THEREFORE, the Commissioner has taken up for consideration the 2022 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 14, 2021, the Iowa Insurance Division (the “Division”) received an annual individual health insurance premium rate filing (“6/14/21 Rate Filing”) for Wellmark, Inc. plans qualified as “Grandfathered” or “Transitional” under the federal Patient Protection and Affordable Care Act (“ACA”). Wellmark proposed an average 4.74% base rate increase for this pre-ACA block – with Farm Bureau Federation plans at 3.6%, 5.9% for all pools marketed through Direct or Independent Agents, and 3.6% on existing Iowa Basic and Standard plans. The proposed effective date is January 1, 2022 covering approximately 38,000 lives.

2. 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.

3. 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.

4. The proposed rates would cause an average premium increase of \$25 per month, resulting in a 2022 projected average monthly premium of \$557 up from the current average monthly premium of \$532. This is an average based upon all members, all age groups, all benefit plans, all geographic regions, etc.

#### **Actuarial Review**

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. 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 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.

7. The actuarial reviews conducted by the Division and Magnum Actuarial Group reveal Wellmark's untrended past loss ratios for these blocks have averaged nearly 85% over the last seven years. In the absence of a rate increase for calendar year 2022, the Division projects a loss ratio in the range of 86 to 88 percent (Farm Bureau + Wellmark 'direct placed' combined) which significantly exceeds the 80% minimum. Magnum Actuarial Group projects a loss ratio of 86.4% (Farm Bureau) and 87.8% (Wellmark 'direct placed') assuming status quo premiums.

8. The Division trend models justify a trend rate of at least 7 percent based upon a review of the per member per month claims and adjusted loss ratios. With the current loss ratios and the growth of claims of at least 7 percent, the Division's projected medical loss ratio is approximately 86 to 88 percent (Farm Bureau + Wellmark 'direct placed' combined) after the 4.74% increase is applied.<sup>1</sup> Magnum Actuarial Group's projected medical loss ratios are 86.1% (Farm Bureau) and 85.5% (Wellmark 'direct placed') after the increase is implemented.<sup>2</sup>

9. If approved, Wellmark's 06/14/21Rate Filing will generate rates that are actuarially supported and are actuarially sound.

#### **Public Comment and Rate Impact Considerations**

10. The Commissioner's decision is not limited to actuarial considerations in the record, and may be informed by his experience and specialized knowledge of insurance and the market.

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 the Centers for Medicare & Medicaid Services. The current threshold percentage is 5.4%. A hearing on the proposed rate was

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<sup>1</sup> 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.

<sup>2</sup> 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'.

scheduled for and held on Saturday, August 28, 2021 at 9:00 a.m. at 1963 Bell Avenue (Mississippi Conference Room), Des Moines, IA. (“08/28/21 Hearing”).

12. When the ACA was enacted it allowed “Grandfathered” plans. When the ACA was implemented, additional “Transitional” plans were allowed by executive action. 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.

13. Attached below and incorporated by reference, are three charts that display data pertaining to the Iowa health market; including but not limited to: Grandfathered Plans, Transitional Plans, ACA compliant plans, on exchange, off exchange and percentage of Iowans covered. The number of covered lives in the Wellmark pre-ACA plans before us in this matter is now 38,000 statewide. This trend is not that dissimilar from the trend across all pre-ACA plans. Federal law prohibits new participants and these plans continue the downward trend in covered lives as the plans are under pressure well beyond simple annual increases in the health spending growth rate. Although the number of Iowa policyholders in ACA compliant individual plans has been increasing in recent years, as nearly all consumers in ACA compliant individual plans are federally subsidized (with total premium subsidies in this market approaching 90% of total premiums in the market), in Grandfather Plans and Transitional Plans, which are not eligible for premium assistance and new covered lives are prohibited by federal law, the number of pre-ACA individual policyholders continues a downward trend.

14. Prior to the 08/28/21 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 08/28/21 Hearing was made available via Adobe Connect, which any Iowan could access online.

15. The written comments and testimony before and during the 08/28/21 Hearing indicate that Wellmark's 06/14/21 Rate Filing rate increases are concerning for many policyholders.

16. Detailed information about the rate filing and public testimony is also available for public review on the Division's website: Wellmark BCBS of Iowa Rate Hearing.

**ORDER**

Wellmark's 06/14/21 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 06/14/21 Rate Filing does not propose rates that are inadequate, excessive or unfairly discriminatory.

THEREFORE, Wellmark's 06/14/21 Rate Filing is approved.

SO ORDERED on this 16<sup>th</sup> day of September, 2021.



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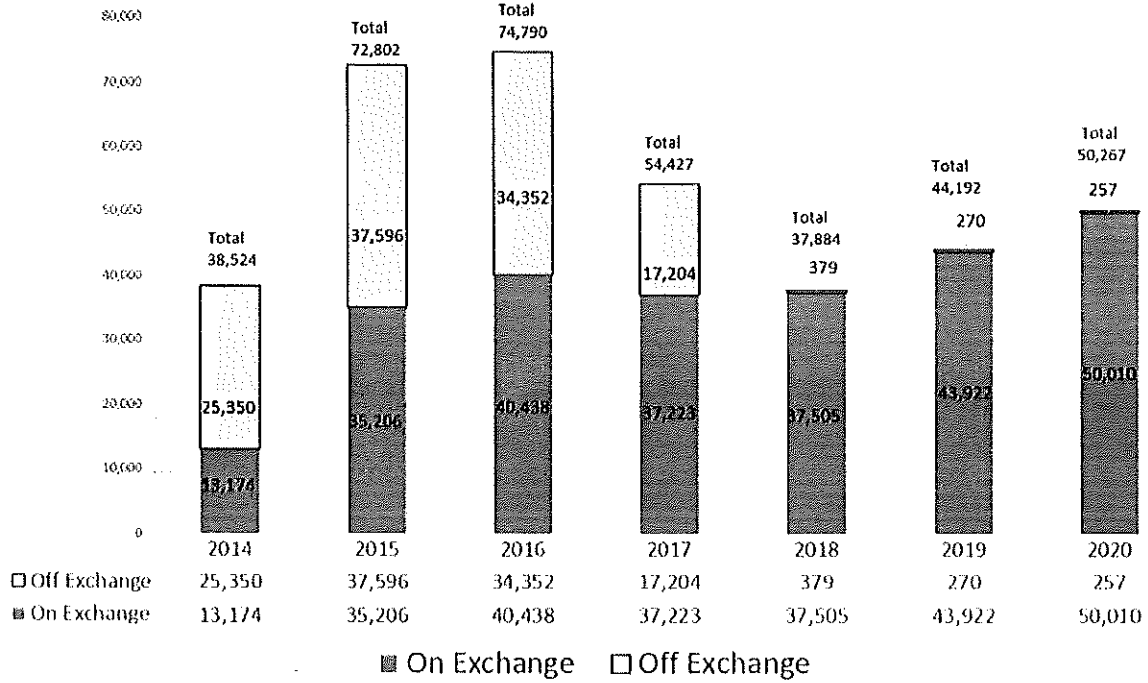
DOUGLAS M. OMMEN  
Iowa Insurance Commissioner

## Iowa Total Health Coverage in 2019

|  | Iowa Population | 3,155,070 | 100%  |
|--|-----------------|-----------|-------|
| Employer (self-insured + other)                      |                 | 1,097,842 | 34.8% |
| Large Employer Group (fully insured)                 |                 | 315,803   | 10.0% |
| Small Employer Group (fully insured)                 |                 | 160,283   | 5.1%  |
| Individual Coverage                                  |                 | 98,255    | 3.1%  |
| Uninsured (Kaiser 2019)                              |                 | 144,400   | 4.6%  |
| Medicaid - CHIP (Kaiser)                             |                 | 679,651   | 21.5% |
| Medicare (CMS Dashboard)                             |                 | 632,036   | 20.0% |
| * Other Public (Military, Tricare, VA) - Kaiser 2019 |                 | 26,800    | 0.8%  |

Sources: Kaiser Family Foundation, CMS, NAIC, U.S. Census, and IID surveys

Iowa ACA Individual Market  
IID Annual Survey



### Total Iowa Individual Medical Market IID Survey

