

BEFORE THE IOWA INSURANCE COMMISSIONER

IN THE MATTER OF:)	
)	Division File No. <u>111253</u>
Wellmark Health Plan of Iowa 2022)	
INDIVIDUAL HEALTH INSURANCE RATE)	DECISION AND ORDER
)	
)	

NOW THEREFORE, the Commissioner has taken up for consideration the 2022 ACA individual health insurance rate of Wellmark Health Plan of Iowa (“WHPI”). Being fully informed, the Commissioner enters the following decision and order:

FINDINGS AND CONCLUSIONS

1. On June 11, 2021, the Iowa Insurance Division (the “Division”) received an annual individual health insurance premium rate filing (“6/11/21 Rate Filing”) for WHPI plans under the federal Patient Protection and Affordable Care Act (“ACA”). WHPI proposed an average rate increase of 11.1% with variations by plan and metal level. The proposed effective date is January 1, 2022 and covers approximately 36,000 Iowa 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 \$70 per month, resulting in a 2022 projected average monthly premium of \$698 up from the current average monthly premium of \$628. This is an average based upon all members, all age groups, all benefit plans, all geographic regions, etc.

5. However, in the ACA individual market, few Iowans pay the entirety of the premiums as most are eligible for ACA advance premium tax credits. The average premiums referenced here are unsubsidized premium levels. Significant federal subsidies are available substantially lowering the consumer's share in premiums in most cases.

Actuarial Review

6. Pursuant to a standing directive of the Governor, 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 NovaRest 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 Commissioner reviewed the actuarial reports from NovaRest. The Commissioner also consulted with financial and actuarial staff within the Division prior to issuing this decision and order.

8. The actuarial reviews conducted by the Division and NovaRest reveal WHPI's recent loss ratios were depressed due to the COVID-19 lockdown, however, they appear to be returning to normal levels in the 2nd QTR of 2021 in the 85% range. In the absence of a rate increase for calendar year 2022, the Division projects a loss ratio ranging from 86 to 87 percent which significantly exceeds the 80% minimum.

9. The Division trend models justify a trend rate of 7 percent (or higher) 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%, the Division's projected medical loss ratio is over 81% after the 11.1% increase is applied. If the IID relied only on the federal Unified Rate Review Template (URRT), the projected MLR is just over 90%. NovaRest's projected medical loss ratio is just over 90% after the increase is implemented¹.

10. If approved, WHPI's 06/11/21 Rate Filing will generate rates that are actuarially supported and are actuarially sound.

Public Comment and Rate Impact Considerations

11. 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.

12. 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

¹ 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'.

Services. The current threshold percentage is 5.4%. A hearing on the proposed rate was 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”).

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. Although the number of Iowa policyholders in ACA compliant plans has been increasing in recent years, nearly all consumers in these plans are 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, the number of policyholders continues a downward trend.

14. The advance premium tax credit system and its impact that carriers’ rates have on the consumer’s perception of other carriers’ rates continues to evolve and the market continues to be impacted by regulatory and competitive pressures. The Consumer Advocate for the Division has advised the Commissioner that in 2021 WHPI decreased its rates an average of 42% from its 2020 rates.

15. Prior to the 08/28/21 Hearing, the Consumer Advocate for the Division solicited and received public comments on WHPI’s proposed health insurance rate increases. Access to the 08/28/21 Hearing was made available via Adobe Connect, which any Iowan could access online

16. The written comments and testimony before and during the 08/28/21 Hearing indicate that WHPI’s 06/11/21 Rate Filing rate increases are concerning for many individuals. Some complaints appeared to describe the rate increase experience of policyholders, although many appeared to be other interested persons who were not policyholders with any experience with ACA compliant plans of WHPI subject to this review. As such, these persons had neither

understanding of the advance premium tax credit system nor the effect that advance premium tax credits may have on consumers.

17. Public comments are also available for review at the Division's website. Detailed information about the rate filing and public testimony is also available for public review on the Division's website: [Wellmark Health Plan of Iowa Rate Hearing](#)

ORDER

WHPI's 06/11/21 Rate Filing is reasonable and actuarially sound. The Commissioner reviewed the actuarial reports from NovaRest 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 impacted by this decision, but is supported by the past and projected experience under the requirements of state and federal law.

WHPI's 06/11/21 Rate Filing does not propose rates that are inadequate, excessive or unfairly discriminatory.

THEREFORE, WHPI's 06/11/21 Rate Filing is approved.

SO ORDERED on this 16th day of September, 2021.



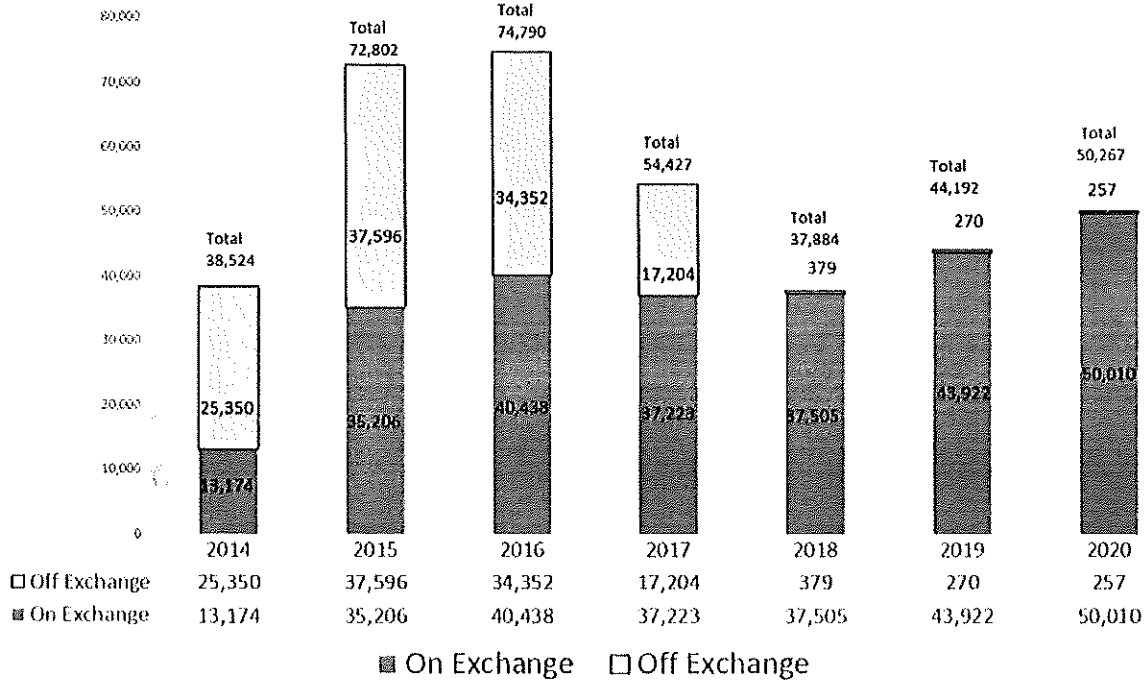
DOUGLAS M. OMMEN
Iowa Insurance Commissioner

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

