

BEFORE THE IOWA INSURANCE COMMISSIONER

IN THE MATTER OF:)	
)	Division File No. <u>111254</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 pre-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 14, 2021, the Iowa Insurance Division (the “Division”) received an annual individual health insurance premium rate filing (“6/14/21 Rate Filing”) for WHPI plans qualified as “Grandfathered” or “Transitional” under the federal Patient Protection and Affordable Care Act (“ACA”). WHPI proposed a 10% base rate increase for all policies in the transitional pool and a 0% increase for the one remaining grandfathered policy. The proposed effective date is January 1, 2022 and covers approximately 850 Iowa lives. The proposed rate increase amounts to 10% weighted by written premium.

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 \$30 per month, resulting in a 2022 projected average monthly premium of \$327 up from the current average monthly premium of \$297. This is an average based upon all members, all age groups, all benefit plans, all geographic regions, etc.

Actuarial Review

5. 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 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 WHPI's untrended past loss ratios for these blocks have averaged approximately 90% over the last seven years. In the absence of a rate increase for calendar year 2022, the Division's projected loss ratio ranges from 97 to 102 percent which significantly exceeds the 80% minimum. Magnum Actuarial Group projects a loss ratio of over 100% assuming status quo premiums.

8. The Division trend models justify a trend rate of 10 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 10%, the Division's projected medical loss ratio ranges from 90 to 96 percent after the 10% increase is applied. Magnum Actuarial Group's projected medical loss ratio is over 100% after the increase is implemented¹.

9. If approved, WHPI's 06/14/21 Rate 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 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").

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'.

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 WHPI pre-ACA plans before us in this matter is now 850 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 WHPI’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 WHPI’s 06/14/21 Rate Filing rate increases are concerning for policyholders.

16. 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 06/14/21 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.

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

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

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



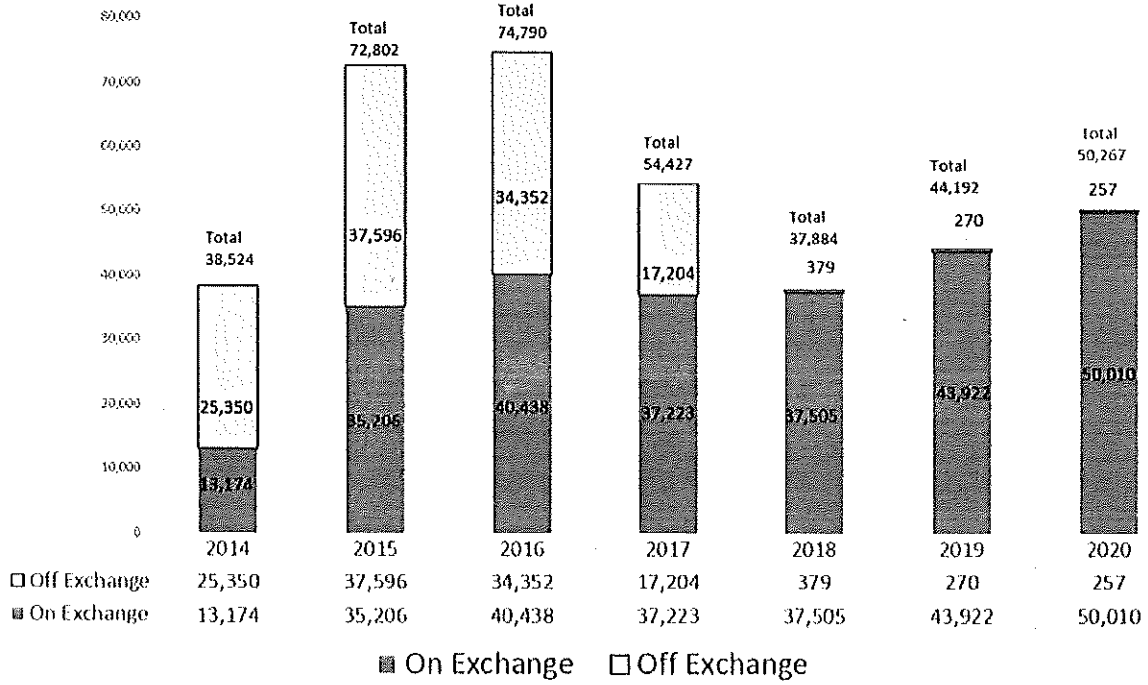
DOUGLAS M. OMMEN
Iowa Insurance Commissioner

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

