

BEFORE THE IOWA INSURANCE COMMISSIONER

IN THE MATTER OF:)
) Division File No. 111256
 Golden Rule Insurance Company 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 Golden Rule Insurance Company (“Golden Rule”). 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 Golden Rule plans qualified as “Grandfathered” or “Transitional” under the federal Patient Protection and Affordable Care Act (“ACA”). Golden Rule proposed a uniform 25% base rate increase for the plans, effective 1-1-2022, covering approximately 2,000 lives at the time of the filing.

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 \$33 per month, resulting in a 2022 projected average monthly premium of \$380 up from the current average monthly premium of \$347. This is an average based upon all members, all age groups, all benefit plans, all geographic regions, etc.

Actuarial Review

5. Pursuant to 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 Golden Rule's untrended past loss ratios for these blocks have averaged 79% over the last seven years. In the absence of a rate increase for calendar year 2022, the Division projects a loss ratio of 82 to 85 percent depending on the assumptions and length of the experience period utilized. Magnum Actuarial Group projects a loss ratio of 85.3% assuming status quo premiums.

8. The Division trend models justify a trend rate in the range of 7 to 9.2 percent based upon a review of the per member per month claims and adjusted loss ratios.

9. During the pendency of the rate request, Magnum Actuarial Group and the Division had discussions with Golden Rule regarding an unusual spike in claims that occurred in June of 2020. Upon reviewing the monthly claims history, it became clear these spiked claims were not an ongoing concern for the carrier. Against that backdrop, the Division's position was that this spike in claims must be disregarded for purposes of 2022 pricing, and Golden Rule actuaries agreed. Golden Rule, the IID, and Magnum Actuarial Group all utilized a smoothing process on the claims (to smooth out the spike) and with that, made a compromise recommended rate increase proposal of 9.5%.

10. With the current loss ratios and the growth of claims approaching in the range of 7 to 9.2 percent, the Division projects a medical loss ratio of approximately 81% should the Commissioner approve a 9.5 increase.¹ Magnum Actuarial Group's projected medical loss ratio is right at 80.7% if the 9.5% increase is implemented.²

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'.

11. If approved, Golden Rule's 06/14/21 Rate Filing at 9.5% will generate rates that are actuarially supported and are actuarially sound.

Public Comment and Rate Impact Considerations

12. 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.

13. 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").

14. 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.

15. 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 Golden Rule pre-ACA plans before us in this matter is now 2,000 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.

16. Prior to the 08/28/21 Hearing, the Consumer Advocate for the Division solicited and received public comments on Golden Rule'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.

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

18. Detailed information about the rate filing and public testimony is also available for public review on the Division's website: [Golden Rule Insurance Company Rate Hearing](#).

ORDER

Golden Rule'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.

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

THEREFORE, Golden Rule's 06/14/21 Rate Filing as modified to 9.5% is approved.

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



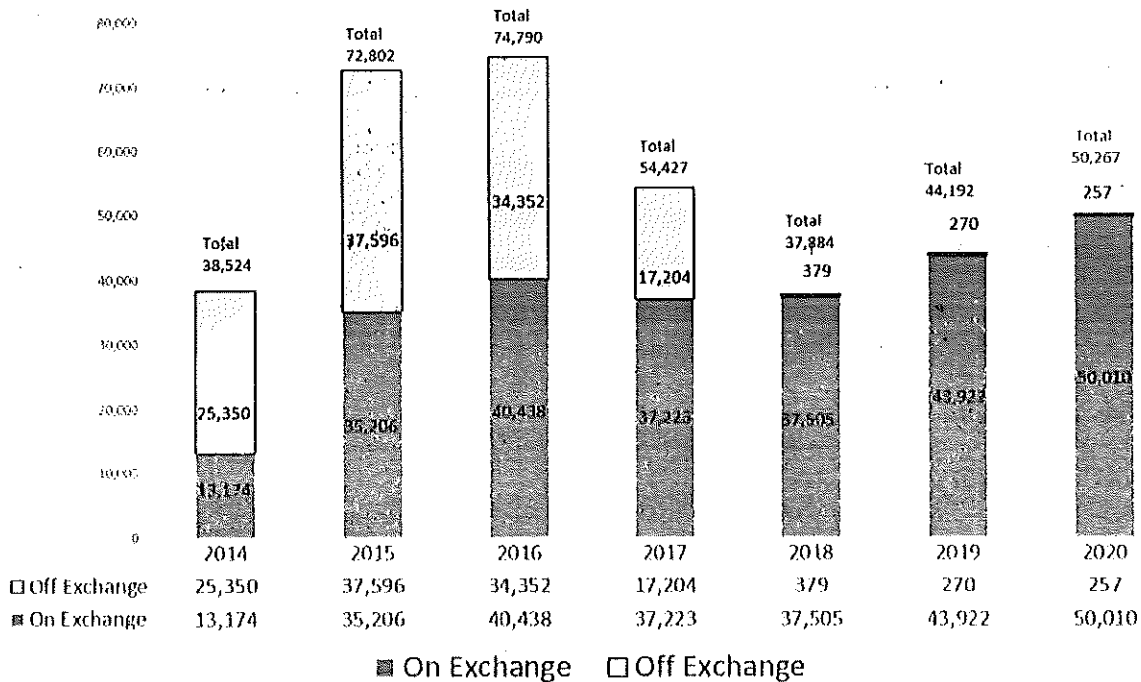
DOUGLAS M. OMMEN
Iowa Insurance Commissioner

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

