



BEFORE THE IOWA INSURANCE COMMISSIONER

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IN THE MATTER OF	)	Division Case No. 115014
	)	
OSCAR INSURANCE CO.	)	<b>DECISION AND ORDER</b>
2023 INDIVIDUAL HEALTH INSURANCE	)	
RATE	)	
	)	
	)	

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NOW THEREFORE, the Commissioner has taken up for consideration the 2023 ACA individual health insurance rate of Oscar Insurance Company (“OSCAR”). Being fully informed, the Commissioner enters the following decision and order:

**FINDINGS AND CONCLUSIONS**

1. On June 13, 2022, the Iowa Insurance Division (the “Division”) received an annual individual health insurance premium rate filing (“06/13/2022 Rate Filing”) for OSCAR plans under the federal Patient Protection and Affordable Care Act (“ACA”). OSCAR proposed an average rate increase of 5% with variations by plan and metal level. The proposed effective date is January 1, 2023, and covers approximately 3,100 Iowa lives. However, only 1,000 policies are receiving a rate increase of more than 5.4%, i.e., the threshold which triggers a hearing in Iowa for 2023.
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. The review employs sophisticated procedures,

forecasting models, and scenario testing to gauge the reasonableness of the proposal. The type of analysis utilized, the procedures and methodology, and overall process have developed over a period of many years. Shortly after the passage of the ACA, an actuarial consulting firm (The INS Companies out of Philadelphia, PA) conducted an in-depth analysis of the Division's rate review process and found it to be thorough, reasonable, and actuarially sound.

4. The proposed rates would cause an average premium increase of \$29 per month, resulting in a 2023 projected average monthly premium of \$604 up from the current average monthly premium of \$575. 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 may 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 Oscars's untrended past loss ratios for these plans have averaged 77% over the last 12-months. The past U.S. loss ratios for these plans have averaged just under 93% over the last 7-years. In the absence of a rate increase for calendar year 2023, the Division projects a loss ratio of approximately 88% which significantly exceeds the 80% minimum.

9. The Division trend models justify a trend rate of 8% 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 8%, the Division's projected medical loss ratio is over 87% after the 5% increase is applied. If the Division relied only on the federal Unified Rate Review Template (URRT), the projected MLR is just over 88%. NovaRest also confirmed the MLR calculations provided by Oscar were reasonable and justified<sup>1</sup>.

10. If approved, OSCAR's 06/13/2022 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

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<sup>1</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'.

Services. The current threshold percentage is 5.4%. A hearing on the proposed rate was scheduled for and held on Saturday, August 20, 2022, at 9:00 a.m. at 1963 Bell Avenue (Mississippi Conference Room), Des Moines, IA (“08/20/22 Hearing”).

13. Attached below and incorporated by reference, are two charts that display data pertaining to the Iowa health market; including but not limited to: Grandfathered and Transitional plans combined, ACA compliant plans, 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.

15. Prior to the 08/20/22 Hearing, the Consumer Advocate for the Division solicited and received public comments on OSCAR’s proposed health insurance rate increases. Access to the 08/20/22 Hearing was available for those who wished to attend in-person and via Adobe Connect, which any Iowan could access online.

16. The written comments and testimony before and during the 08/20/22 Hearing indicate that OSCAR’s 06/13/2022 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 OSCAR 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: [Oscar Insurance Company Rate Hearing](#)

**ORDER**

OSCAR's 06/13/2022 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.

OSCAR's 06/13/2022 Rate Filing does not propose rates that are inadequate, excessive or unfairly discriminatory.

**THEREFORE**, OSCAR's 06/13/2022 Rate Filing is approved.

**SO ORDERED** on this 14<sup>th</sup> day of September, 2022.



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DOUGLAS M. OMMEN  
Iowa Insurance Commissioner

## Iowa Total Health Coverage in 2021

Type of Coverage	Iowa Population 2021	
Employer (self-insured + other types not listed)	949,507	29.7%
Fully Insured Large Employer Group	303,551	9.5%
<b>Fully Insured Small Employer Group</b>	<b>146,645</b>	<b>4.6%</b>
<b>Individual Coverage</b>	<b>98,836</b>	<b>3.1%</b>
Uninsured	192,400	6.0%
Medicaid - CHIP	805,021	25.2%
Medicare	646,819	20.3%
Other Public [Military, Tricare, VA]	50,300	1.6%
<b>Iowa Population (U.S. Census)</b>	<b>3,193,079</b>	<b>100%</b>

Source: Kaiser Family Foundation (KFF), Centers for Medicare and Medicaid Services (CMS), National Association of Insurance Commissioners (NAIC), U.S. Census, and IID surveys

Total Iowa Individual Medical Insurance Market Size  
ACA, Transitional, and Grandfathered Business  
[IID Survey 8-2-2022]



