

FILED

SEP 29 2022

COMMISSION OF INSURANCE
INSURANCE DIVISION OF IOWA

BEFORE THE IOWA INSURANCE COMMISSIONER

IN THE MATTER OF:)
)
 Medica Insurance Company 2023) Division File No. 115280
 INDIVIDUAL HEALTH INSURANCE RATE) **DECISION AND ORDER**
)
)

NOW THEREFORE, the Commissioner has taken up for consideration the 2023 ACA individual health insurance rate of Medica Insurance Company (“MEDICA”). 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 MEDICA plans under the federal Patient Protection and Affordable Care Act (“ACA”). MEDICA proposed an average rate increase of 9.74% with variations by plan and metal level. The proposed effective date is January 1, 2023, and covers approximately 19,000 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. 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 \$69 per month, resulting in a 2023 projected average monthly premium of \$775 up from the current average monthly premium of \$706. 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 Medicas's untrended past loss ratios for these plans have averaged 82% over the last 17-months. In the absence of a rate increase for calendar year 2023, the Division projects a loss ratio of approximately 94% which significantly exceeds the 80% minimum.

9. The Division trend models justify a trend rate of 5.5% 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 5.5%, the

Division's projected medical loss ratio is over 88% after the 9.74% increase is applied. If the Division relied only on the federal Unified Rate Review Template (URRT), the projected MLR is 88.6%. NovaRest also confirmed the MLR calculations provided by Medica were reasonable and justified¹.

10. If approved, MEDICA'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 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.

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'.

15. Several days prior to the 08/20/22 Hearing, MEDICA informed the Division that it neglected to provide its policyholders with the required notice of their rate increases and of the opportunity to provide public comment. As a result, the Consumer Advocate for the Division did not receive any comments from MEDICA policyholders.

16. During the 08/20/22 Hearing, a MEDICA representative requested the Commissioner grant it the opportunity to correct its error by scheduling another public hearing at a date that would allow MEDICA to provide its policyholders with notice of their rate increases and of the opportunity to provide comment to the Division.

17. The Commissioner granted MEDICA's request which was submitted as a waiver pursuant to Iowa Administrative Code 191-4 and approved in Division Case No. 114978.

18. A second hearing on MEDICA's 06/13/22 Rate Filing was scheduled for and held on Monday, September 26, 2022 at 5:00 pm. at 1963 Bell Avenue, Des Moines, IA ("09/26/22 Hearing") via a virtual format.

19. Prior to the 09/26/22 Hearing, the Consumer Advocate for the Division solicited and received two public comments on MEDICA's proposed health insurance rate increases. Access to the 09/26/22 hearing was available in person and via Zoom which any Iowan could access online.

20. The written comments and testimony before and during the 09/26/22 Hearing indicate that MEDICA's 06/13/2022 Rate Filing rate increases are concerning for individuals. 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.

21. 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: [Medica Insurance Company Rate Hearing](#).

ORDER

MEDICA'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.

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

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

SO ORDERED on this 29th day of September, 2022.



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%
Fully Insured Small Employer Group	146,645	4.6%
Individual Coverage	98,836	3.1%
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%
Iowa Population (U.S. Census)	3,193,079	100%

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]**

