

**Consumer Advocacy Officer Public Testimony and
Consumer Comments
Regarding the 2024 Proposed ACA Rate Increase
Medica Insurance Company**

For Consideration by Commissioner Doug Ommen, Insurance Division of Iowa

Prepared by Sonya Sellmeyer, Consumer Advocacy Officer, Iowa Insurance Division

August 19, 2023

I. Background

Iowa Code §505.19 sets forth procedures for health insurance rate increase requests exceeding the average annual health spending growth rate published by the Centers of Medicare and Medicaid Services (CMS). The procedures include a requirement that the Consumer Advocate solicit public comments on the proposed rate increase, provide the comments received by the public on the internet, and to present the public testimony and comments received to the Commissioner of Insurance for consideration before a decision is made on the proposed rate increase.

Medica Insurance Company has proposed a 3.14% average rate increase for their individual ACA blocks of business. The proposal covers all benefit plans with bronze plans being decreased by 7.2% and silver plans increasing by approximately 10%. The average rate change by product line will range from 2% to 7.1% with variations at the plan level. This proposal covers around 15,245 Iowa members. If approved, the proposed rate increase would become effective January 1, 2024. As the amount proposed exceeded the most current average annual health spending growth rate of 5.1%, the Consumer Advocate solicited comments regarding the proposed increase.

II. Actuarial Review

Two separate and independent reviews are conducted to determine whether or not the insurance company's rate change proposal is reasonable and justified. First, the Iowa Insurance Division's health team which includes an actuary conducts its own independent review of the company's proposal. Second, another review is independently conducted by an outside consulting actuary. Before a recommendation is made to the Commissioner regarding approval, disapproval, or modification of the proposal, both review teams must agree on the rate recommendation. The dual review system has been in place since 2008.

The Affordable Care Act (ACA) requires insurance companies to spend at least 80% of premium dollars on medical care; this is known as the Federal Medical Loss Ratio (MLR). As of 2012 if an insurance company fails to meet the 80% MLR requirement over a rolling 3-year period, a rebate must be issued to its customers using a Federally prescribed process. Rate change proposals are only approved if the Federal MLR is expected to satisfy the 80% minimum standard.

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For all medical insurance rate change proposals, both rate review teams analyze the insurance company's experience (premiums, claims, loss ratios, etc.), trend assumptions (the growth in the cost of the claims caused by unit cost increases as well as utilization increases), and other assumptions to determine if the rate change proposal is reasonable and 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 IID's rate review process and found it to be thorough, reasonable, and actuarially sound.

The state of Iowa is considered to have an Effective Rate Review (ERR) program in place by CMS (Centers for Medicare & Medicaid Services). With the ERR designation by CMS as well as the process described above, the public should be confident that any decision rendered after this hearing was thoroughly vetted by multiple parties.

Congress has taken steps in the last two years to subsidize the cost of health insurance on the ACA market. In the past, a household was not eligible for a premium tax credit unless their household income was between 100-400% of the federal poverty level for your family's size. With the American Rescue Plan Act (ARPA), income levels above 400% are allowed to claim a tax credit, and the Inflation Reduction Act further extended ARPA's enhanced subsidies and further lowered the ACA percentage of income paid toward premiums through 2025, and thus eliminating the "subsidy cliff". After the 2023 open enrollment, 1/3 of Iowa policies receiving advance premium tax credits (APTC) paid premiums less than \$10 a month, and the average Iowa premium after the APTC is \$105.

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Inflation Reduction Act -Premium Tax Credits 2023-2025

- The Inflation Reduction Act (IRA) extended the American Rescue Plan Act's enhanced subsidies that lowered the ACA percentage of income paid towards premiums.

Income as % FPL	ACA*	IRA*
100% up to 133%	2.07	0.0
133% up to 150%	4.14	0.0
150% up to 200%	6.52	2.0
200 up to 250%	8.33	4.0
250% up to 300%	9.83	6.0
300% up to 400%	9.83	8.5
More than 400%	No limit	8.5

* Shown at upper limits, not the actual ranges. Ex. Under the IRA, 150-200% FPL is 0.0%-2.0%

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Using the Iowa Insurance Division actuarial rate review process described, the actuarial team found the following using one or more years of prior experience:

- Past Iowa loss ratios for this block have averaged just 82% over the last 27-months.
- In the absence of a rate increase for calendar year 2024, the IID's projected loss ratio is in the range of 83.5% and 87.6%.
- The IID's 2024 projected loss ratio is in the range of 81% and 85% after the 3.14% rate increase is implemented.
- After adjustments are made to account for taxes, license, and fees in the federally prescribed medical loss ratio (MLR) formula – the IID's 2024 projected MLR is in the range of 84% and 88% after the 3.14% increase is implemented. The IID's MLR range aligns with the company's internal MLR projection of 87.7% via the Federal Unified Rate Review Template, AKA 'The URRT'. In the event the MLR dips below 80% with the revised rates (over a 3-year rolling basis), affected Iowans could receive a rebate under Federal law.

The average premium increase (before Federal subsidies) is around \$22 / month, i.e., \$719 (2024 projected average premium) less \$697 (current average premium). This is an average based upon all members, all age groups, all benefit plans, all geographic regions, etc. (These values were calculated from the carrier's electronic filing made with the IID on June 12, 2023.)

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III. Public Comments

The Consumer Advocate has received one comment from a policyholder or member of the public. The consumer opposes the rising cost of healthcare.

IV. Summary

The average premium increase before federal subsidies is approximately \$22 a month. This is an average based upon all members, all age groups, all benefit plans, all geographic regions, etc.

The comments received and posted by August 17, 2023, have been included in this testimony report as required by the Iowa Code section 505.19(3). However, comments may continue to be received until the Commissioner makes the final decision on the proposed rate increase. Any additional comments received before the Commissioner's decision, but after the presentation of the consumer testimony, will be recorded on the public rate hearing site.

Attachment A: Medica Insurance Company 2024 Proposed Rate Increase Comments

Don- Cedar Falls

Health ins. costs already consume 75% of my fixed income pension. If it wasn't for Obama care, I'd be living in a van down by the river. I vehemently oppose raising health ins. premiums.

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