Consumer Advocacy Officer Public Testimony and Consumer Comments

Regarding the 2024 Proposed ACA Rate Increase

OSCAR Insurance Company

For Consideration by Commissioner Doug Ommen, Insurance Division of Iowa

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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 present the public testimony and comments received to the Commissioner of Insurance for consideration before a decision is made on the proposed rate increase.

Oscar Insurance Company has proposed an average rate decrease of 1.5 % for their individual ACA blocks of business. The proposed rate change varies by plan and range from -7% for some plans and up to 10% for other plans. There are approximately 1,263 Iowa members impacted by a rate increase greater than 5.1% and thus the reason for this hearing. If approved, the proposed rate increase would become effective on 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 carrier's rate change proposal is reasonable and justified. First, the Iowa Insurance Division's health team which includes an actuary conducts its an independent review of the company's proposal. Second, an outside consulting actuary independently conducts another review. Before a recommendation is made to the Commissioner regarding approval, disapproval, or modification of the proposal, both review teams must be in substantial agreement on the rate recommendation. The dual review system has been in place since 2008.

The Affordable Care Act (ACA) requires health insurance issuers to submit data on the proportion of premium revenues spent on clinical services and quality improvement, also known as the Medical Loss Ratio (MLR). It also requires health insurers to issue rebates to enrollees if this percentage does not meet minimum standards. The ACA requires insurance companies to spend at least 80% of premium dollars on medical care, with the rate review provisions imposing tighter limits on health insurance rate increases. As of 2012 if an issuer fails to meet the applicable MLR standard the issuer is required to provide a rebate

to its customers. Rate proposals are only approved if the projected Federal MLR is expected to satisfy the minimum 80% standard.

For all medical insurance rate change proposals, both rate review teams analyze the carrier'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. Both rate review teams employ sophisticated procedures, forecasting models, and scenario testing to gauge the reasonableness of the proposal. The type of analysis utilized, the procedures and methodology, and the 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.

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 been favorable, and as a result – the carrier has responded with lower rates. On 1-1-2022, the carrier responded with an average rate decrease of 9% which was followed by a moderate 5% rate increase on 1-1-2023. Experience continues to be favorable and the carrier has responded with an average decrease of 1.5% for 1-1-2024.

- With the current year (2023 through June) indicating a 74% loss ratio, the IID's projected loss ratio is just under 78% after the 1.5% decrease 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 just over 80% after the 1.5% rate decrease is implemented. The IID's projected MLR is lower than the company's internal MLR projection of 84.5% via the Federal Unified Rate Review Template, AKA 'The URRT'. The IID confirmed the URRT MLR, but we also supplement it with experience on our own template. Either way, both MLRs are in compliance with the Federal review standard of

80%. 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. Oscar has paid rebates in the past.

- The average premium decrease (before Federal subsidies) is around $11 / month, i.e., $704 (2024 projected average premium) less $715 (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 and subsequent refile on July 21, 2023)

III. Public Comments

The Consumer Advocate has received one comment from a policyholder. Like most who are subject to proposed rate increases, the comments focused on affordability.

IV. Summary

The average premium decrease before federal subsidies is approximately $11 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: Oscar Insurance Company 2024 Proposed Rate Increase Comments

Pamela – Rockford

For coverage year 2022 I enrolled in the least expensive Bronze Super Simple plan. I am a senior on a strict budget. As the least expensive plan it offered me the following: Virtual visits for zero costs before and after deductible. Primary care 100%/$75, Specialist 100%/$100, Urgent care $75/$75, and E.R 100%/$1250. Then they decided to dump my plan, so I then had to take their next least expensive option, the Bronze Classic. Now I have an enormous deductible of $7750/15500 an Out-of-pocket max of $9100/18200. My In-network cost/after deductible is Virtual Visits $0/0, Primary care 100%/50%, Specialist 100%/50%, Urgent care $75/75 and E.R. 100%/50%. So you can clearly see that they forced me off of a plan to pay more money that is less beneficial for me. Now they want to raise the base rates. Please consider denying this request. At this time there are people struggling immensely and trying to make ends meet. Raising the rates at this time would amplify the situation.
