STATE OF IOWA

KIM REYNOLDS
GOVERNOR

ADAM GREGG
LT. GOVERNOR

DOUG OMMEN
COMMISSIONER OF INSURANCE

November 13, 2019

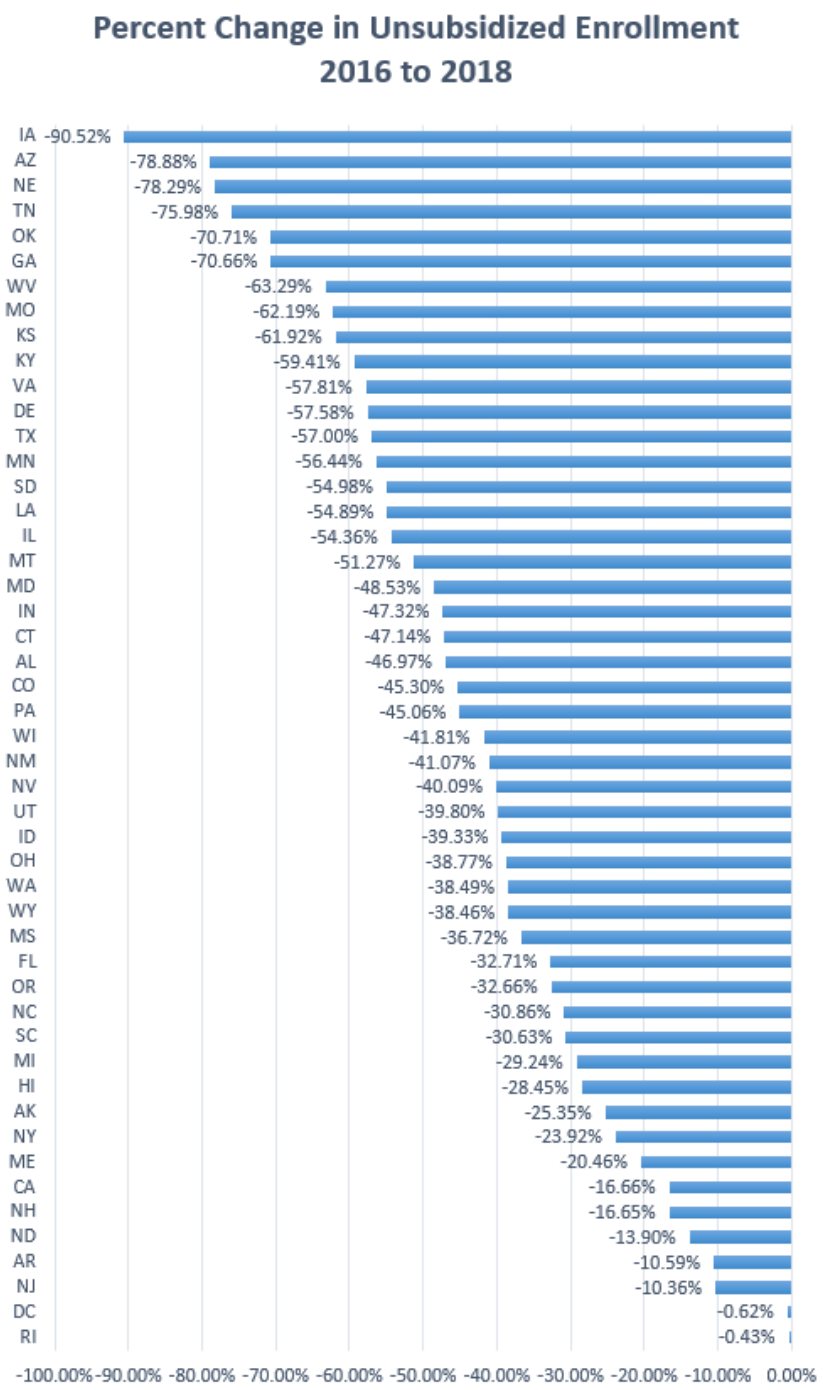
Governor Kim Reynolds
1007 East Grand Avenue
Des Moines, Iowa 50319

Governor Reynolds,

Enclosed please find the Division's Annual Health Care Costs report, which examines health care costs in the State of Iowa for 2018 as required by Iowa Code §505.18. While this report provides information regarding the costs of all health care insurance across the state in 2018, it seems appropriate to provide additional information on the current status of Iowa's individual health insurance market as well.

As you are aware, the structural defects of the ACA have caused Iowa's individual health insurance market to collapse. Iowa's individual ACA market has seen a nearly 50 percent decrease in enrollment from its peak during 2016 to the end of 2018. As shown in the chart below, during this time period Iowa's individual ACA market went from nearly 75,000 to less than 38,000.

The vast majority of those who left the individual ACA market were those who were not eligible for premium tax credits. Recent CMS numbers show Iowa as having a decrease from 43,539 persons in the unsubsidized market in 2016 to 4,129 in 2018.[1] This is more than a 90 percent decrease. As shown in the chart to the side, the State of Iowa is the state with the most significant impact in this market segment. But we are certainly not alone; 18 states have lost more than half and 33 states have lost more than one third of their unsubsidized enrollees.



While CMS numbers are typically gathered at the beginning of the calendar year, a year end survey done by the Iowa Insurance Division (IID) paints an even more dramatic picture as our numbers indicate only 379 Iowans were enrolled in the ACA unsubsidized market at the end of 2018. **This is more than a 99 percent decrease in enrollment in the ACA unsubsidized market.**

As premiums skyrocketed, the subsidized market was also impacted and we began to see the impact of the ACA's 3:1 age band for rates. The premium reflecting the risk for a 62 year old is much higher than that reflecting the risk of a 28 year old, yet **they pay the exact same amount** under the current subsidy structure. As

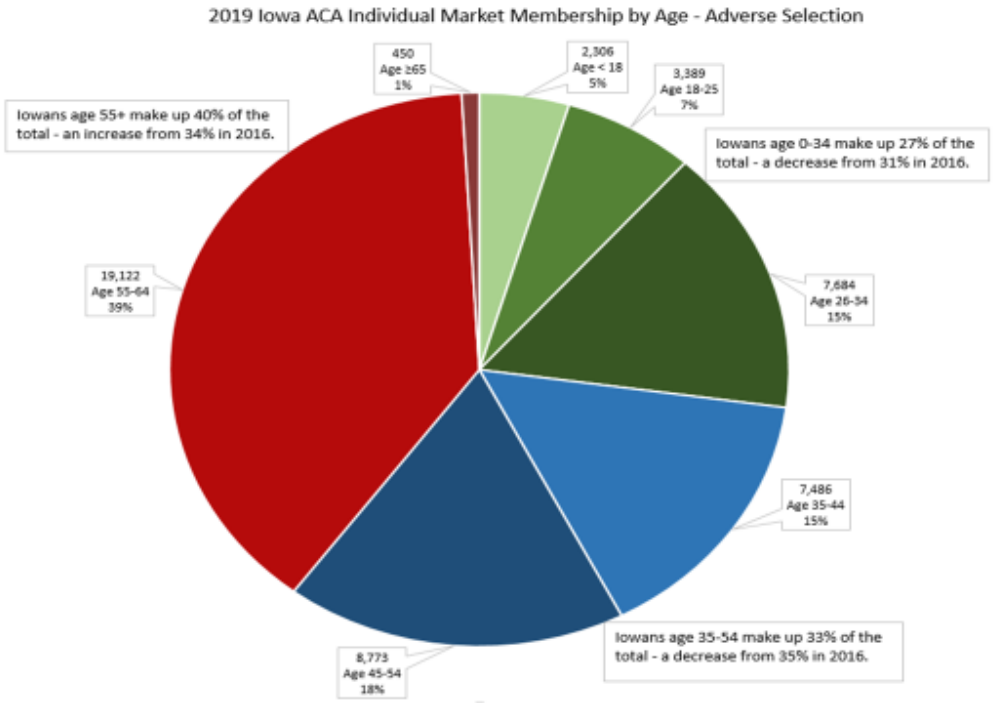
[1] See Trends in Subsidized and unsubsidized Enrollment , August 12, 2019, CMS, available at: https://www.cms.gov/CCIIO/Resources/Forms-Reports-and-Other-Resources/Downloads/Trends-Subsidized-Unsubsidized-Enrollment-BY17-18.pdf

rates go up, the relationship between the cost reflecting the actual risk for the 62 year old and what they will pay becomes more and more distorted.

The chart below shows what a single subsidized 28 year old and a single subsidized 62 year old pay in relation to their incomes, which again, no longer bears any relationship to their actual risk rate.

Age	Income	%FPL	2nd Low Silver Rate /mo	Max Monthly Payment under ACA	Max Annual	Annual APTC
28	$24,159	199%	$616	$131	$1,568	$5,821
62	$24,159	199%	$1,627	$131	$1,568	$17,960
28	$48,559	399.99%	$616	$399	$4,788	$2,601
62	$48,559	399.99%	$1,627	$399	$4,788	$14,740

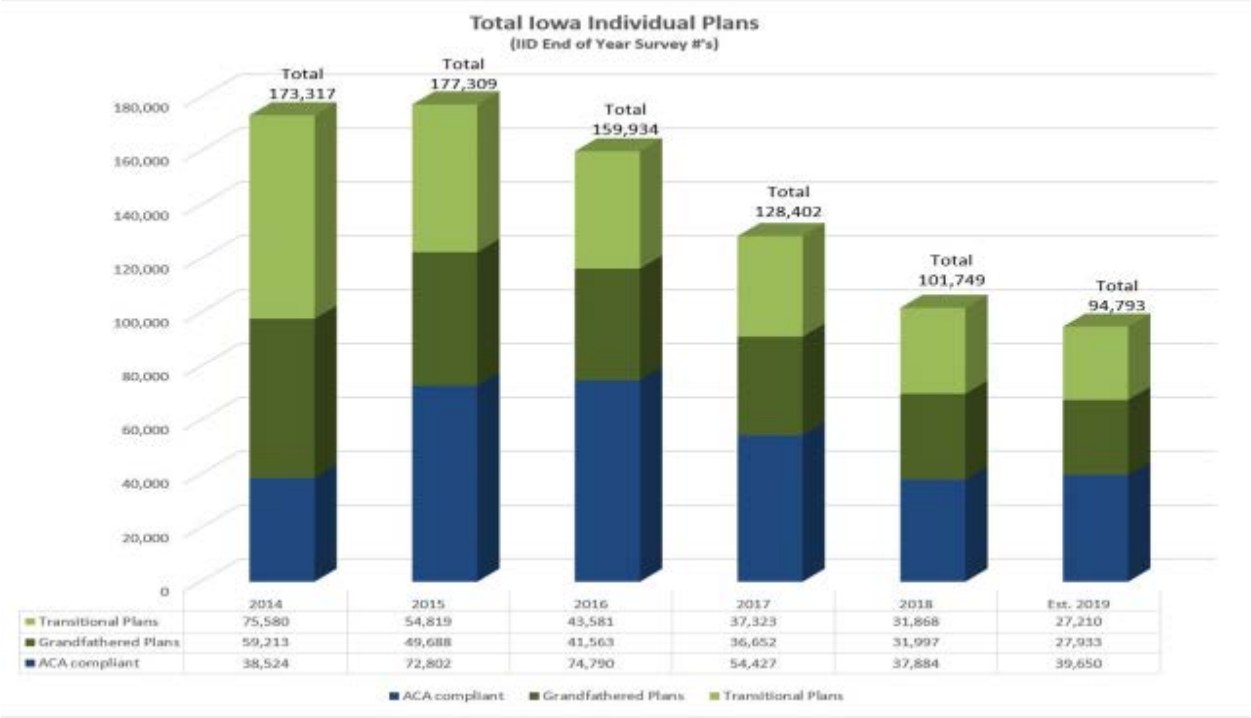
Today, Iowa's individual ACA market is marked with adverse selection in membership by age. Nearly 58 percent of the market are ages 45 and older. Those ages 35 through 44 make up 15 percent of the market. Those 34 and younger make up the remaining 27 percent, a decrease from 31 percent in 2016.



The impact to the grandfathered and transitional individual markets have not been as dramatic, but the impact still represents a collapse of these markets. During the peak enrollment year in 2014, the grandfathered and transitional individual markets had nearly 135,000 Iowans enrolled. The

numbers at the end of the year in 2018 for the grandfathered and transitional individual markets were under 64,000. This represents a decrease of nearly 53 percent.

In total, Iowa's individual market, including the individual ACA, grandfathered and transitional markets, have seen a decrease in enrollment from 173,317 in 2014 to 101,749 in 2018, a reduction of over 41 percent of the market. The chart below shows the impact the ACA has had on enrollment in Iowa's individual health insurance market.



In 2017, Iowa developed a unique and innovative proposal to try to stabilize its market via a Section 1332 waiver. Iowa was forced to withdraw its waiver, in large part due to sub-regulatory guidance issued by CMS in 2015[2] and found at 80 Fed. Reg. §78131 (Dec. 16, 2015). And while we applaud the efforts of CMS, HHS and the Treasury ("Departments") in releasing the revisions to the 2015 Guidance on October 24, 2018, entitled 'State Relief and Empowerment Waiver'[3] ("2018 Guidance"), the degree of flexibility in the 2018 Guidance is not yet clear for Iowa.

Under the 2018 Guidance, we have observed a push towards reinsurance-only waivers by many states. While this may provide relief to some states, in Iowa this type of program **will not** fix the adverse selection that occurred in our market where thousands of young and healthier, subsidy-eligible Iowans avoid the market due to skyrocketing premium rates. Premiums for a 28 year old at 399.99 percent FPL would have to be reduced by 35 percent and by 45 percent for a 40 year old **to even equal** the amount of the maximum monthly payment under the ACA. Premiums would have to be reduced beyond these levels to attract for young, subsidy-eligible consumers back into

[2] 80 FR §78131, Dec 16, 2015.
[3] 83 FR 53575.

the market. In Iowa, we expect that it would take **several hundred million dollars** of reinsurance for this to be achieved.

Age	%FPL	2nd Low Silver Rate /mo	Max Monthly Payment under ACA	35% Premium Reduction	45% Premium Reduction
28	399.99%	$616	$399	$400	$339
40	399.99%	$724	$399	$471	$398

Iowa needs support and increased flexibility from the Departments to design a market solution that includes but is not limited to the following areas:

- Reinsurance for persistent, high cost pre-existing conditions with utilization/pricing regulation on specialty drugs;
- State equity in reinsurance and subsidy funding;
- Age-based subsidy to provide age banding in the market;
- Additional benefit design flexibility; and
- Meaningful continuous coverage requirements for annual and special enrollment.

Market Scan of the Iowa Individual Health Insurance Market

Prior to designing a market solution, the IID needs to understand where Iowans are receiving healthcare coverage. With HHS funding received through an award under the State Flexibility to Stabilize the Market Grant Program, Iowa has contracted with Oliver Wyman to conduct a Market Scan of the Iowa Individual Health Insurance Market.

Oliver Wyman is tasked with reviewing multiple areas of the individual healthcare market to determine where Iowans are receiving healthcare coverage. They will assess the insurance markets, including the large group, small group, short-term limited duration and indemnity markets, as well as the 'non-insurance' markets, including the healthcare sharing ministries and the Farm Bureau markets. They will also utilize data from public sources and research to assess the number of Iowans who may be receiving healthcare from government programs including Medicare and Medicaid and assess the number of Iowans who may be completely without any healthcare coverage.

We anticipate having preliminary findings of the Market Scan by March 2020 and a final report by the end of June 2020. The information from the Market Scan will be necessary to help Iowa rebuild our individual market that has collapsed under the ACA. We look forward to and will need full cooperation from the Departments to achieve success in this endeavor.

Options for Iowans Outside the ACA Market

In 2018, the federal government passed regulations to expand the duration of short-term limited duration (STLD) plans from 3 months to up to 3 years. Regulations were also passed to expand upon the ability for multiple employer welfare arrangements (MEWAs) to offer healthcare coverage.

STLD plans: The federal government gave states wide latitude in the regulation of STLD plans and while many vilified these plans as 'junk' plans that wouldn't cover pre-existing conditions, Iowa took advantage of the opportunity to offer a viable health coverage option for those who were priced out of the ACA market. The IID worked collaboratively with the agent community, health insurance carriers, medical providers and other stakeholders to create regulations that would benefit consumers and address concerns of each stakeholder group. This work resulted in Iowa passing regulations to require all STLD plans have a minimum benefit floor similar to the benefits offered through ACA plans with the exclusions of maternity care and pediatric services. STLD plans offered in Iowa must also have a maximum out of pocket cost for the consumer, a minimum of $500,000 of coverage offered by the carrier and, for those plans that are renewable, pre-existing conditions must be covered in the renewal periods.

These new plan options will be available for Iowans beginning in 2020 and are listed on the IID's website.

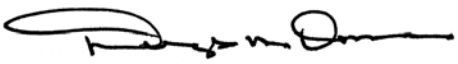
MEWAs: The federal government also expanded upon the definition of an 'employer' to allow sole proprietors and geographically based groups to offer healthcare coverage through an Association Health Plan (AHP). While there is federal litigation challenging the formation of AHPs and no new AHPs are permitted to form pending the results, the IID has seen an insurgence of interest in the formation of MEWAs.[4] Several Iowa based groups, including the Master Builders of Iowa and the Home Builders Association of Iowa, will have healthcare options for their employer groups in 2020. The IID has also approved a long-standing farmers' cooperative, Land O'Lakes, and is reviewing several other MEWA applications.

The IID is hopeful that these new initiatives will be viable options for those Iowans who have been priced out of the ACA market. However, and as stated above, Iowa needs support and increased flexibility from the Departments to design a market solution for the Individual market.

Conclusion

Our office remains committed in its goals to ensure that Iowa consumers have access to affordable and meaningful health insurance. The Division is open to ideas, and is willing to engage with legislators, business leaders, and consumers alike to develop a solution that works for Iowa. However, without meaningful federal legislative movement, it will be difficult to overcome the failure of the ACA in our state.

Respectfully,



Doug Ommen
Iowa Insurance Commissioner

cc: Members of the Iowa Legislature

[4] An AHP is a type of MEWA that allows sole proprietors or geographically based groups to form together without a common business type. Traditional MEWAs require each employer have at least one W2 employee and have a common business type.

NovaRest
ACTUARIAL CONSULTING

NovaRest Report for the Iowa Insurance Division

In support of the

Annual Report to the Iowa Governor and to the Iowa Legislature

November 2019

NovaRest
ACTUARIAL CONSULTING

Table of Contents

Introduction

This report was prepared by NovaRest Consulting (NovaRest) for the Iowa Insurance Division (Division). We understand that the Division will use the information in this report as the basis of the annual report for the Governor of Iowa and for the Iowa Legislature. The annual report, required by statute (Iowa Code §505.18), provides findings regarding health spending costs for health insurance plans in Iowa for the previous calendar year.

The purpose of the annual report is to increase health care insurance transparency and provide consumers with the information necessary, and the incentive, to choose health plans based on cost and quality. Reliable cost and quality information about health care insurance empowers consumer choice, which incentivizes and motivates the entire health care delivery system to provide better care and benefits at a lower cost. It is the purpose of this report to aid in making information regarding the costs of health care insurance readily available to consumers.

This report is intended to provide information in a form that can be used in the annual report to the Governor of Iowa and the Iowa Legislature.

This report uses information gathered from the top 99% of health insurers by premium in Iowa through a data request from the Division. The complete data request is provided in ***Appendix I.*** Our goal is to ensure that we have the most accurate and complete information possible. We have noted all situations when the data request information was not complete. Additional information was extracted from statutory annual financial statement information filed with the National Association of Insurance Commissioners (NAIC), the Unified Rate Review Templates (URRTs) filed by the companies, and other public sources that we believe are credible.

Since the carriers that fall in the top 99% can change every year, some carriers surveyed in the 2019 data call do not have data prior to 2018 and some carriers surveyed in earlier years do not have 2018 data.

Aetna Health of Iowa, Avera Health Plans, Federated Mutual Insurance Company and Gundersen Health Plan were included in the prior report but did not meet market threshold criteria and will not be included in this report. The other carriers surveyed are consistent with the 2018 Annual Report to the Iowa Governor and to the Iowa Legislature.

The following companies were included in the 2019 data call (survey) based on their health care premium market share in Iowa in 2018:

- Aetna Life Insurance Co.[1,2]
- Golden Rule Insurance Co.
- Medica Insurance Co.[3]
- Medical Associates Health Plan, Inc.
- United Healthcare Insurance Co.
- United Healthcare Plan of the River Valley
- Wellmark Health Plan of Iowa, Inc.
- Wellmark, Inc.

This report is structured to follow the requirements of the annual report required by Iowa Code §505.18. The summary of the results is first presented, followed by a section with more detail for each requirement, and finally the appendices containing all the raw data in tabular format.

Please note that the data provided by the carriers represents costs for the insured individual and small group ACA and non-ACA (grandfathered and transitional) business as, well as large group business. It does not include costs for self-funded employers or uninsured costs.

Unless otherwise noted, charts and data in this report related to 2018 Individual Comprehensive Major Medical ("ICCM") and Small Group markets refer to the both ACA and non-ACA individual and small group business.

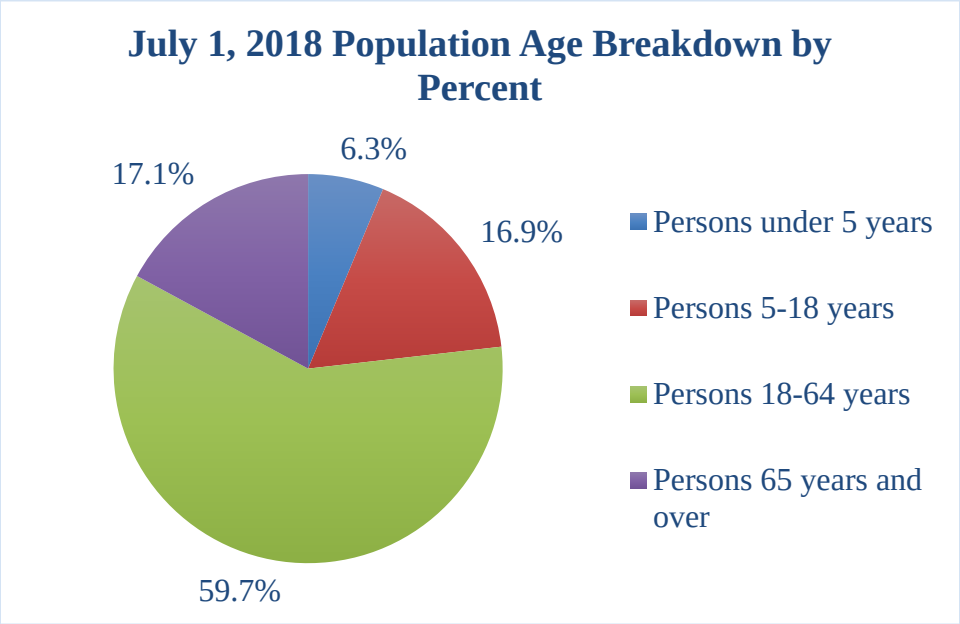
[1] Coventry Health and Life Insurance Company appeared in prior reports, however, their business has been migrated into Aetna Life Insurance Company, so Coventry Health and Life Insurance Company was not surveyed in 2018 or 2019 and does not appear in this report.
[2] Aetna Life Insurance Company was not included in the data call prior to 2017 due to their market share.
[3] Medica Insurance Company entered the Iowa individual market in 2016. They did not participate in any Iowa health insurance market prior to 2016 and were not included in prior surveys.

Summary

- Medica Insurance Company was the only carrier in the individual ACA market in 2018 with Wellmark's decision to not participate in 2018. Therefore, Wellmark lost a significant market
- share in the individual market. Wellmark filed to re-enter the Iowa individual market for 2019 and 2020.
- While Aetna, United, and Wellmark have withdrawn their subsidiary companies from the individual market, it is our understanding that they have not withdrawn from the small group or large group markets. We would therefore expect Wellmark, Inc. to continue to hold a significant group market share in the future.
- The percentage of the Iowa population that is uninsured in 2018 is consistent with the 2017.
- The weighted average traditional loss ratios decreased in all three markets, but most significantly in the individual market where the loss ratios dropped from 88% to 75%. This means carriers were less likely to suffer losses in the individual market. The weighted average loss ratios in the small group and large group markets also decreased, but only 3% in the small group market and 1% in the large group market. It is important to note that because of Risk Adjustment, loss ratios alone do not provide a complete picture of profitability for carriers' individual and small group lines of business.
- The weighted average rate change increased in all three markets. The weighted average individual market rate change increased the most dramatically, from 17% in 2017 to 35% in 2018. We believe this is largely driven by the federal decision to not fund CSRs beginning in October 2017, which caused carriers to load additional amounts into premiums on their 2018 ACA individual silver plans to make-up the difference. The weighted average large group increase also increased significantly from 4% in 2017 to 9% in 2018. The weighted average small group market stayed relatively consistent at 10%.

Background

Iowa's total population as of July 1, 2018 was estimated at 3,156,145.[4] A breakdown of the major age groups is below.

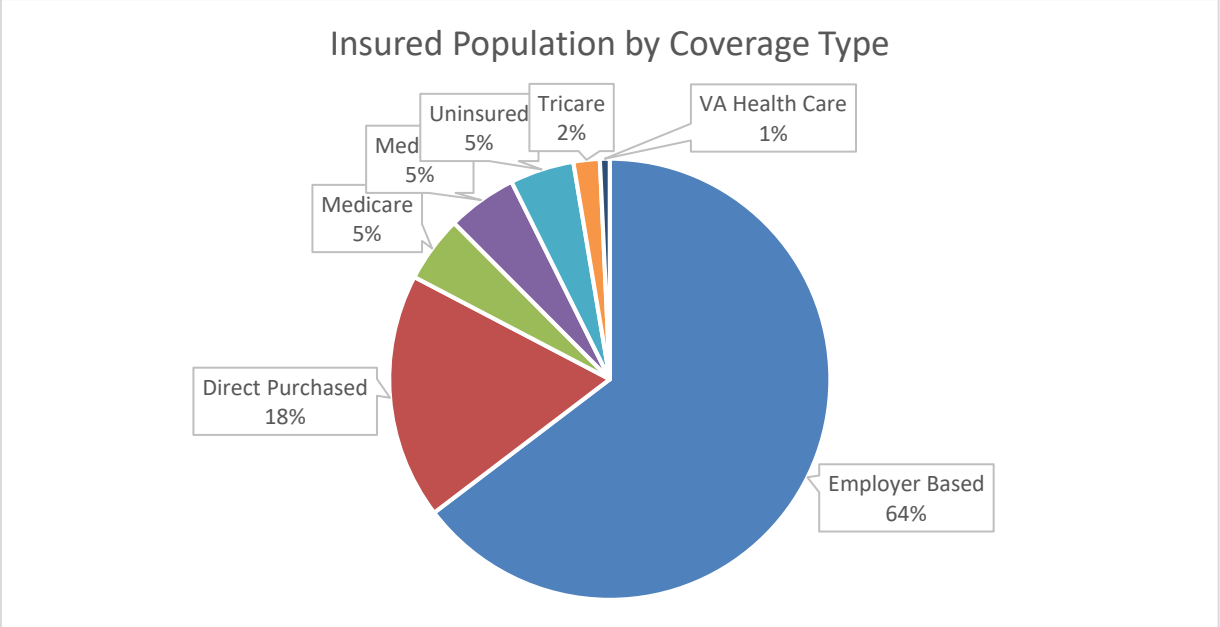


The 2018 median household income in Iowa was $59,955, slightly higher than the overall U.S. median household income of $61,937.[5] The Iowa unemployment rate in 2018 was about 3.6%[6] and 11.2% of the Iowa population was considered below the poverty level.[7]

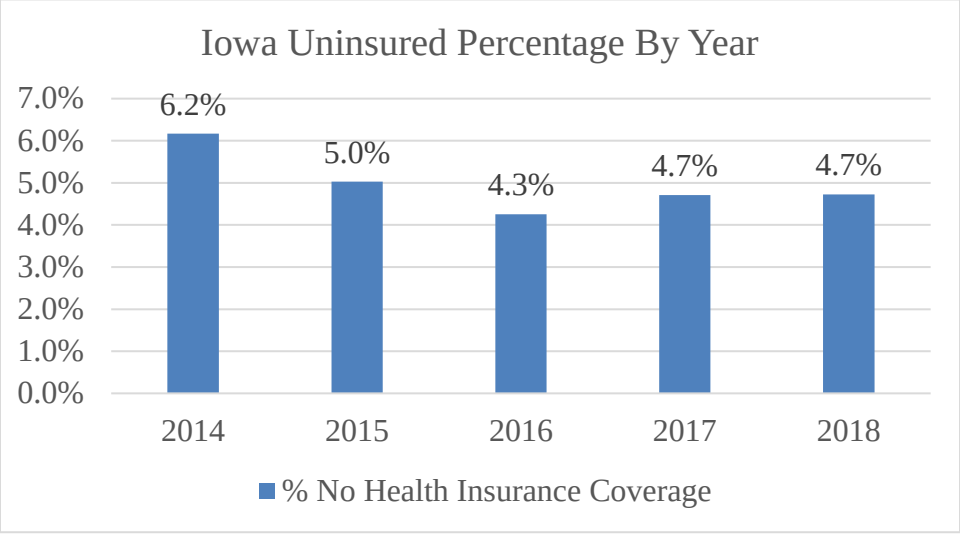
95.3% of the 2018 Iowa noninstitutionalized population was insured by either the public or private health insurance markets, leaving 4.7% uninsured.[8] The American Community Survey provides estimates of 86.2% of insured in the private health insurance market and 10.9% of insured in the public health insurance market. We note this adds up to more than the 95.3% insured indicated above, suggesting there is some overlap between the public and private

[4] U.S. Census Bureau. QuickFacts: Iowa. https://www.census.gov/quickfacts/IA. Accessed October 23, 2019.
[5] "2018 Median Household Income in the United States." U.S. Census Bureau. September 26, 2019. https://www.census.gov/library/visualizations/interactive/2018-median-household-income.html. Accessed October 23, 2019.
[6] "Selected Economic Characteristics." American Community Status 1-Year Estimates Subject Tables. U.S. Census Bureau. 2018. https://data.census.gov/cedsci/. Accessed October 23, 2019.
[7] "Poverty Status in the Past 12 Months." American Community Status 1-Year Estimates Subject Tables. U.S. Census Bureau. 2018. https://data.census.gov/cedsci/. Accessed October 23, 2019.
[8] "Selected Economic Characteristics." American Community Status 1-Year Estimates Subject Tables. U.S. Census Bureau. 2018. https://data.census.gov/cedsci/. Accessed October 23, 2019.

insurance markets. The insured population by coverage type can be seen in the following chart, and where we have ratioed the to add up to 100%.[9,10]

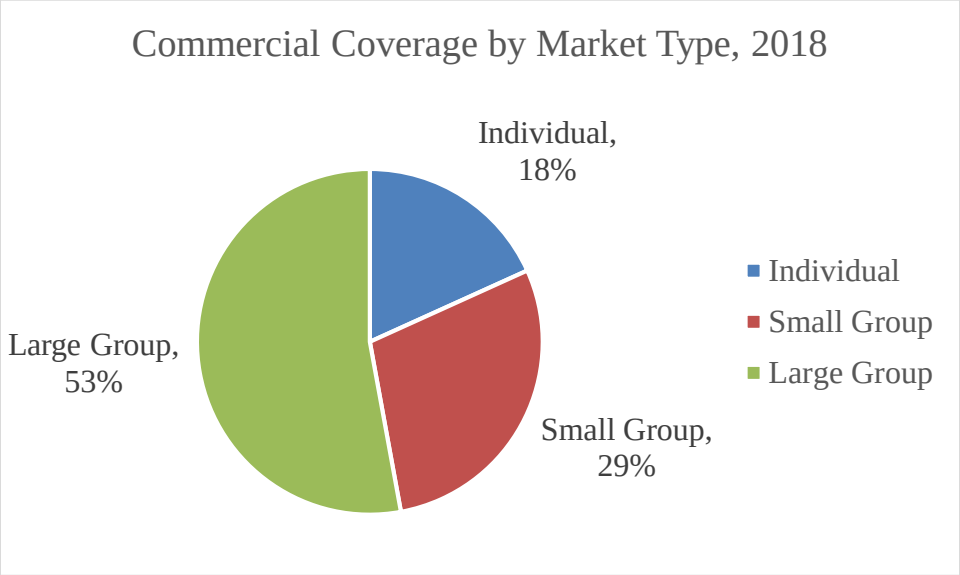


The uninsured percentage decreased from 6.2% in 2014 to 4.7% in 2018, which was consistent with the percentage in 2017. The following chart shows the uninsured percentage by year.[11]



[9] "Public Health Insurance Coverage By Type and Selected Characteristics." American Community Status 1-Year Estimates Subject Tables. U.S. Census Bureau. 2018. https://data.census.gov/cedsci/. Accessed October 17, 2019.
[10] "Private Health Insurance Coverage By Type and Selected Characteristics." American Community Status 1-Year Estimates Subject Tables. U.S. Census Bureau. 2018. https://data.census.gov/cedsci/. Accessed October 17, 2019.
[11] "Selected Economic Characteristics." American Community Status 1-Year Estimates Subject Tables. U.S. Census Bureau. 2018. https://data.census.gov/cedsci/. Accessed October 17, 2019.

Although a significant portion of the Iowa market is enrolled in public programs or are uninsured, the focus of this report is on the commercial non-public individual, small group, and large group markets. For those enrolled in these markets, the percentage covered are shown in the chart below.[12]



Enrollment

A complete set of data can be found in ***Appendix A.***

Wellmark, Inc. continued to hold the highest percentage of the market share in the small group and large group (ranging from 63% to 64%), although they did not participate in the individual ACA market in 2018, which resulted in Medica Insurance Company holding a majority of the 2018 individual market share (52%). Wellmark, Inc. still retained a significant market share (41%) in the individual market due to their non-ACA business.

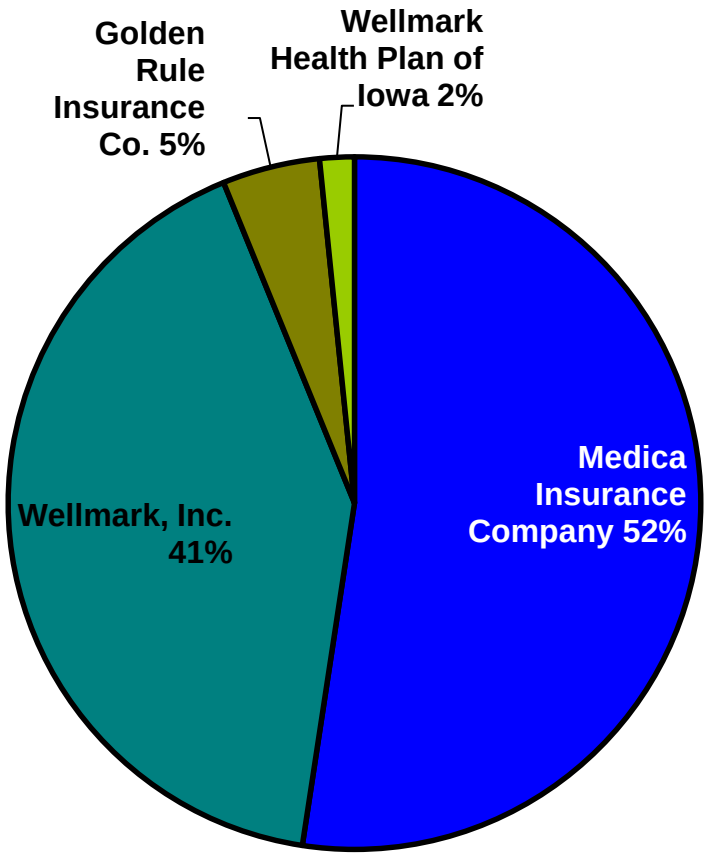
In this report we present weighted averages which are weighted by member months[13], which results in averages closer to what most members are experiencing. Taking the rate increases as an example, the weighted average will result in the same value as if a surveyor totaled and averaged the rate increases across all members in Iowa. The weighted averages provided in this report will fall very close to the Wellmark, Inc. values in the small and large group markets, even though there are significant differences between companies. Similarly, the individual market will be close to the average between Medica Insurance Company and Wellmark Inc. By averaging

[12] 2018 NAIC Supplemental Health Care Exhibit, All Carriers in Iowa.
[13] Member months are the number of total months covered for all individuals insured by a carrier in a market.

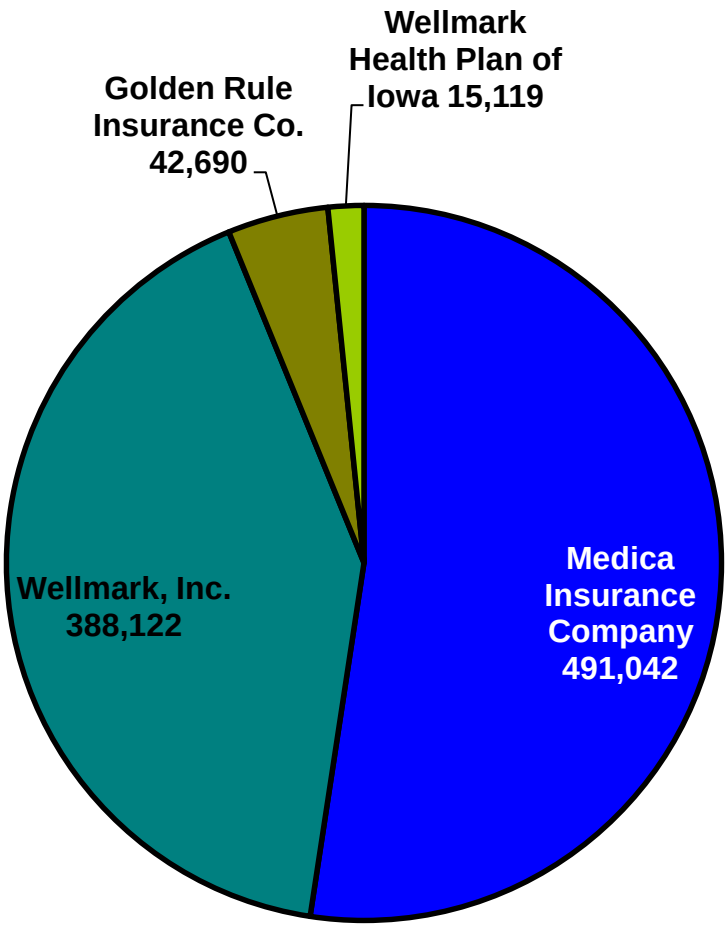
across members rather than carriers we will attain a better estimate of the rate increases experienced by the commercial insured population in Iowa.

We have provided pie charts of member months to demonstrate the large variance in members per carrier in Iowa. The key for each chart is in descending order of total member months. A complete set of the calculated member months can be found in ***Appendix A.*** Please note the numbers presented in this report includes ACA, grandfathered, and transitional business combined. It does not reflect self-insured employers or uninsured.

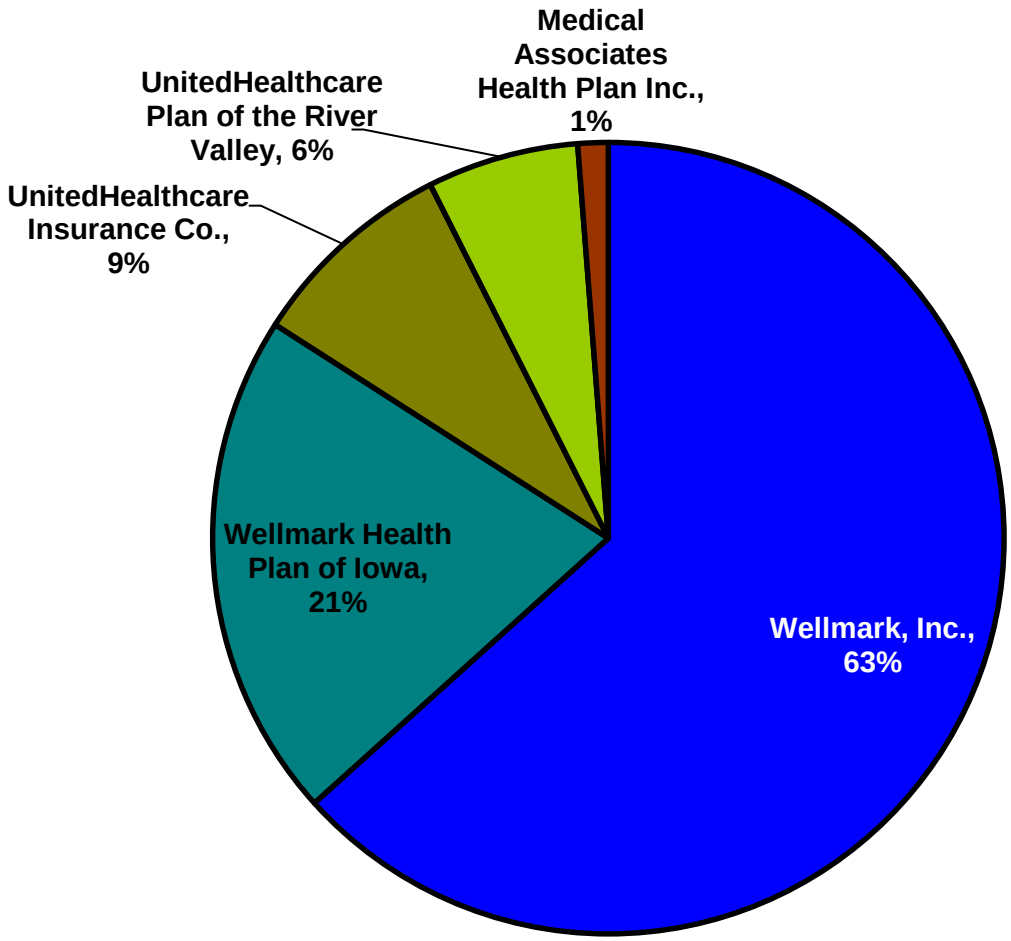
2018 Individual Comprehensive Major Medical ("ICMM") Member Months by Percent



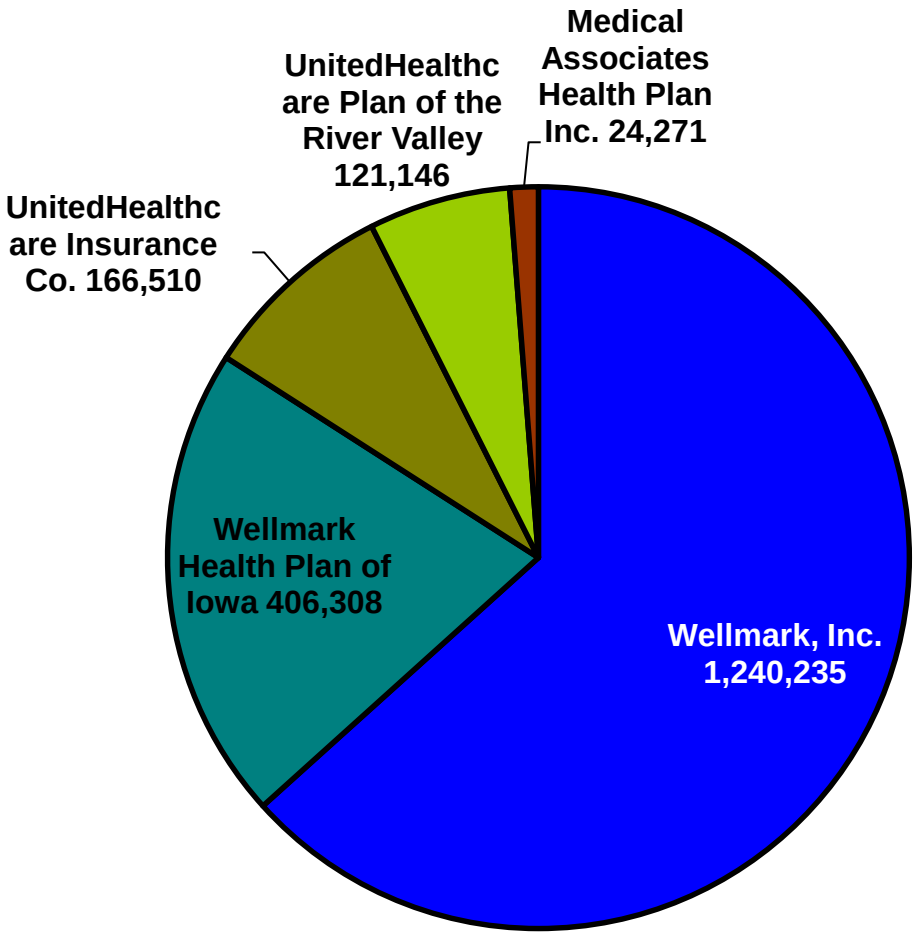
2018 Individual Comprehensive Major Medical ("ICMM") Member Months



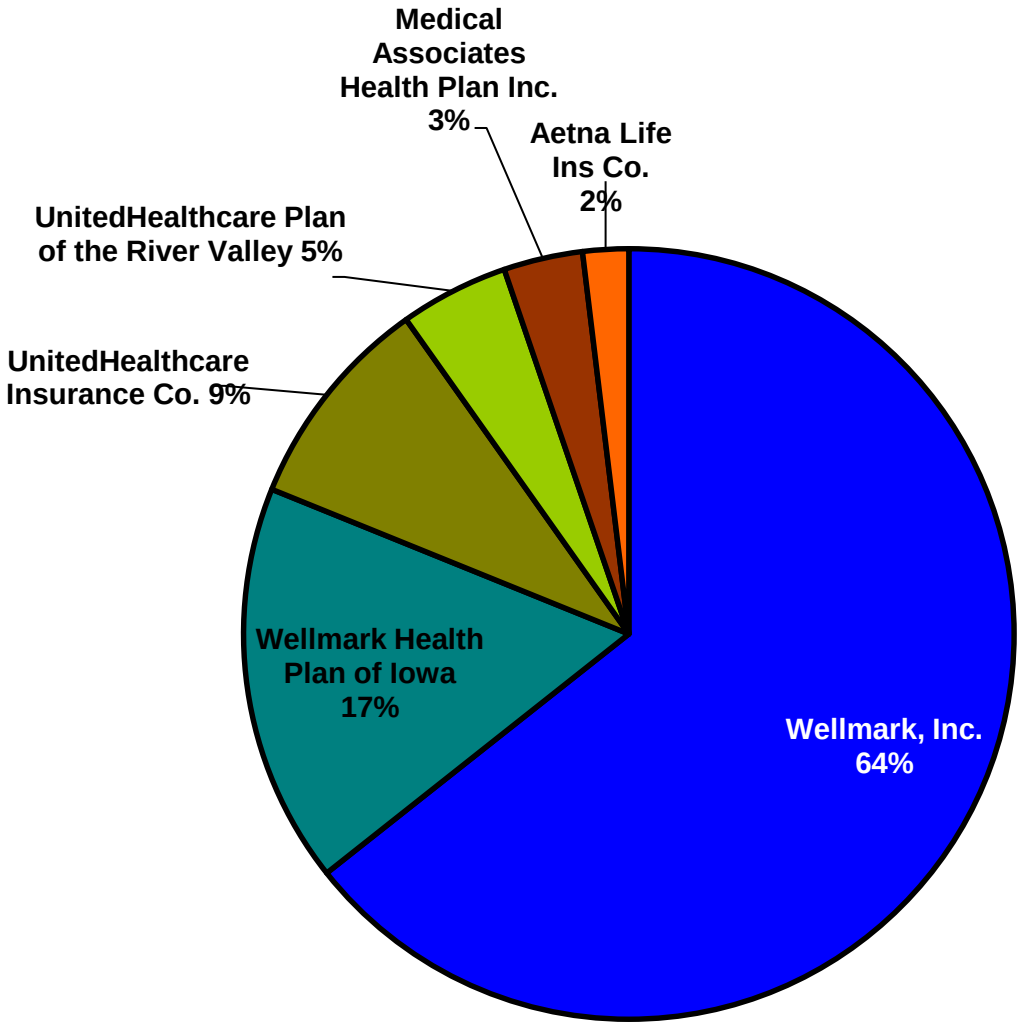
2018 Small Group Member Months by Percent



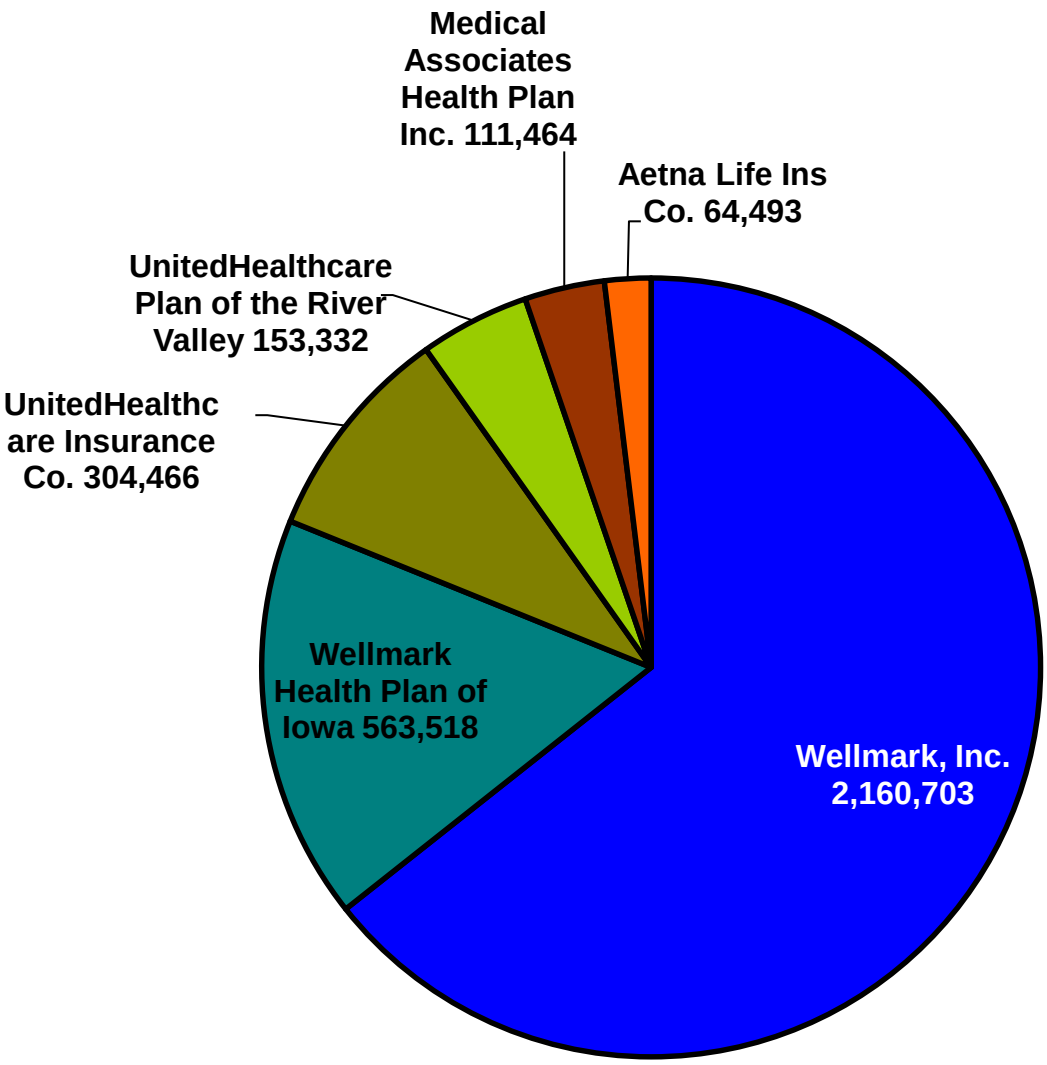
2018 Small Group Member Months



2018 Large Group Member Months by Percent



2018 Large Group Member Months



Loss Ratios

a. Aggregate health insurance data concerning loss ratios of health insurance carriers licensed to do business in the state.

A complete set of data can be found in ***Appendix B.***

A loss ratio is a ratio of claims to premiums. In addition to direct claims payments for medical services, the claims used in the loss ratio may include case management services, the cost of quality improvement efforts and other costs related to health care services not directly delivered to members. The traditional loss ratio is incurred claims / earned premiums, which is provided in the analysis in this section. The federal health insurance reform requires carriers to provide a rebate to policyholders if the carrier's traditional loss ratio, with certain adjustments, is less than 80% for the individual or small group markets and 85% for the large group market.[14] The remaining 20% or 15% is the amount of premium that is available for the cost of administering the insurance (commissions, paying claims, tracking enrollment changes, etc.) and for company profits. Note: the loss ratios provided by the carriers do not include the adjustments that are allowed under the federal loss ratio definition, therefore we cannot definitively say if a carrier will be required to pay a rebate based on the information that was provided.

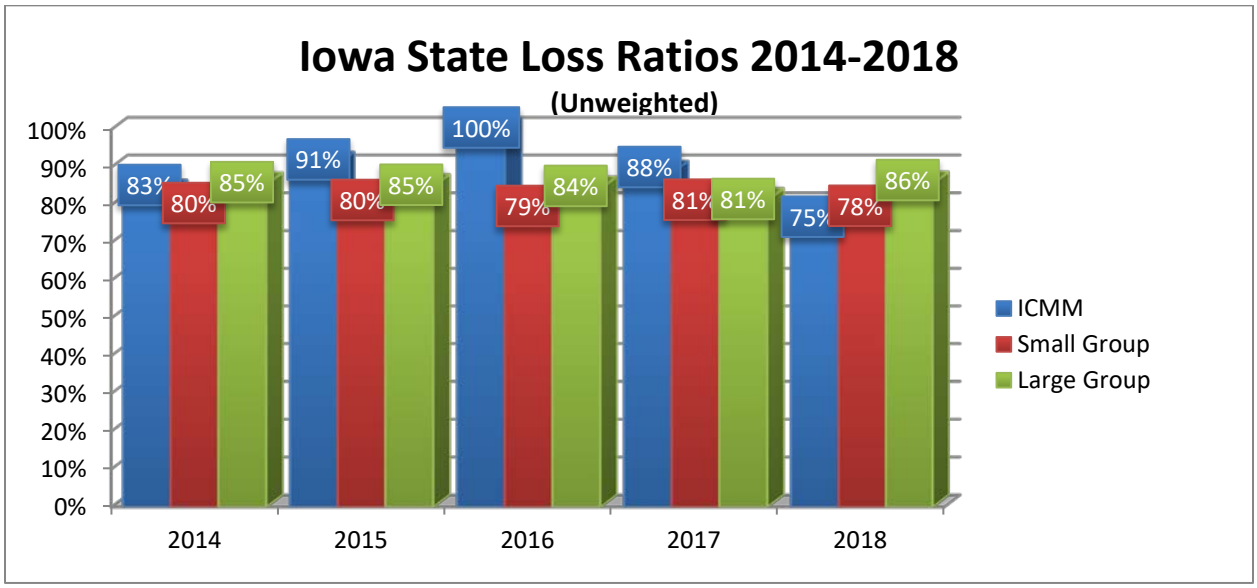
The federal loss ratios (i.e. traditional loss ratio with adjustments) for rebate purposes are also adjusted for credibility. If a carrier has less than 75,000 life years (900,000 member months) in a market, an amount is added to the calculated MLR. The adjustment is intended to compensate for the larger statistical fluctuations found in smaller less credible blocks of business. This credibility adjustment increases the actual loss ratio used for rebate calculation purposes based on the size of the carrier with smaller carriers receiving larger adjustments. As was the situation for 2017 rebates, all carriers in Iowa except for Wellmark, Inc. (in the Small Group and Large Group market), will receive a credibility adjustment for 2018 rebates. The result of the credibility adjustment is that carriers can have a loss ratio lower than the federal standard and still not be required to pay a rebate.[15]

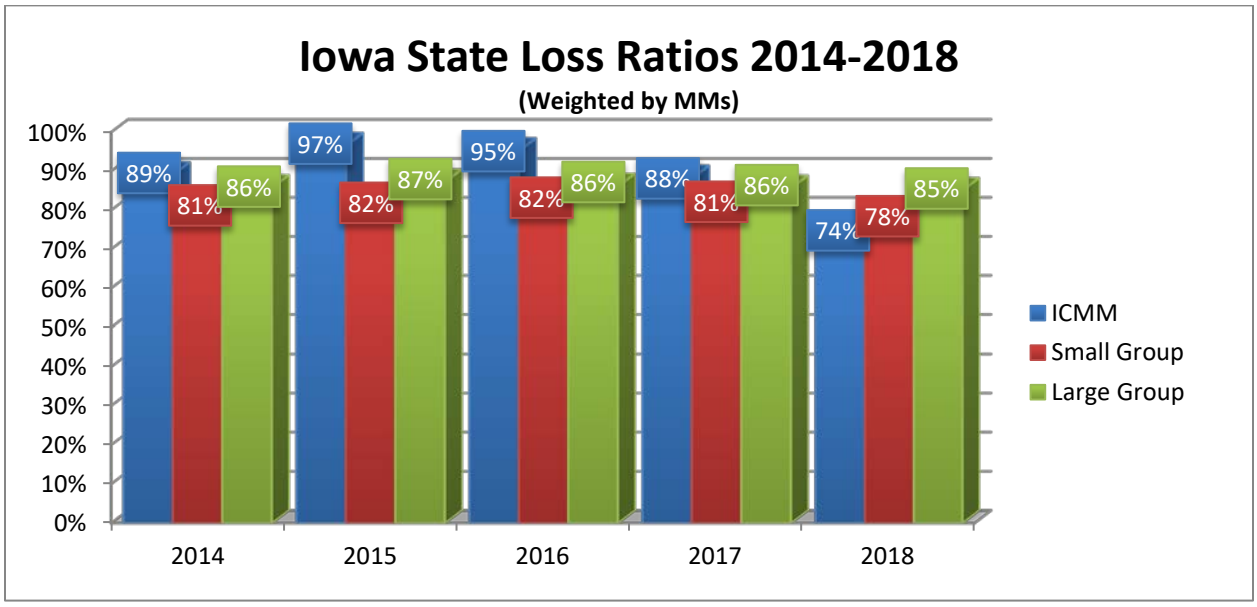
According to the information filed in the 2018 Supplemental Health Care Exhibit (SHCEs) for all carriers in the Iowa market, $437,165 in rebates were paid in the individual market, $1,402,118 were paid in the small group market, and $669,568 were paid in the large group market in 2018 for the 2017 plan year. [16] Of the carriers we surveyed, only Aetna Life Insurance

[14] Not enough information was accessible to calculate the federal loss ratios.
[15] In Iowa, Wellmark is the only carrier that is fully credible in the small and large group markets according to the federal formula and therefore the only carrier required to meet the full 80% or 85% loss ratio requirement. No carriers are fully credible in the individual market.
[16] Per NAIC Supplemental Exhibit. Information related to MLR rebates paid in 2019 for 2018 are not available at this time.

Company and UnitedHealthcare Plan paid rebates. The remainder of the rebates were paid by carriers not included in the survey.

The 2018 average traditional loss ratios are 75%, 78% and 86% for individual, small group, and large group respectively on a non-weighted basis. When loss ratios are weighted by membership, the averages are 74%, 78% and 85% for individual, small group, and large group respectively. The following graphs detail the average (not-weighted and weighted) loss ratios for the past 5 years.[17]





[17] Aetna Life Insurance Company was not involved in data calls prior to 2018 so loss ratio data for 2014-2016 was not included.

Average Loss Ratio by Market by Year (Unweighted)					
Company	**2014**	**2015**	**2016**	**2017**	**2018**
ICMM Total	83%	91%	100%	88%	75%
Small Group Total	80%	80%	79%	81%	78%
Large Group Total	85%	85%	84%	81%	86%

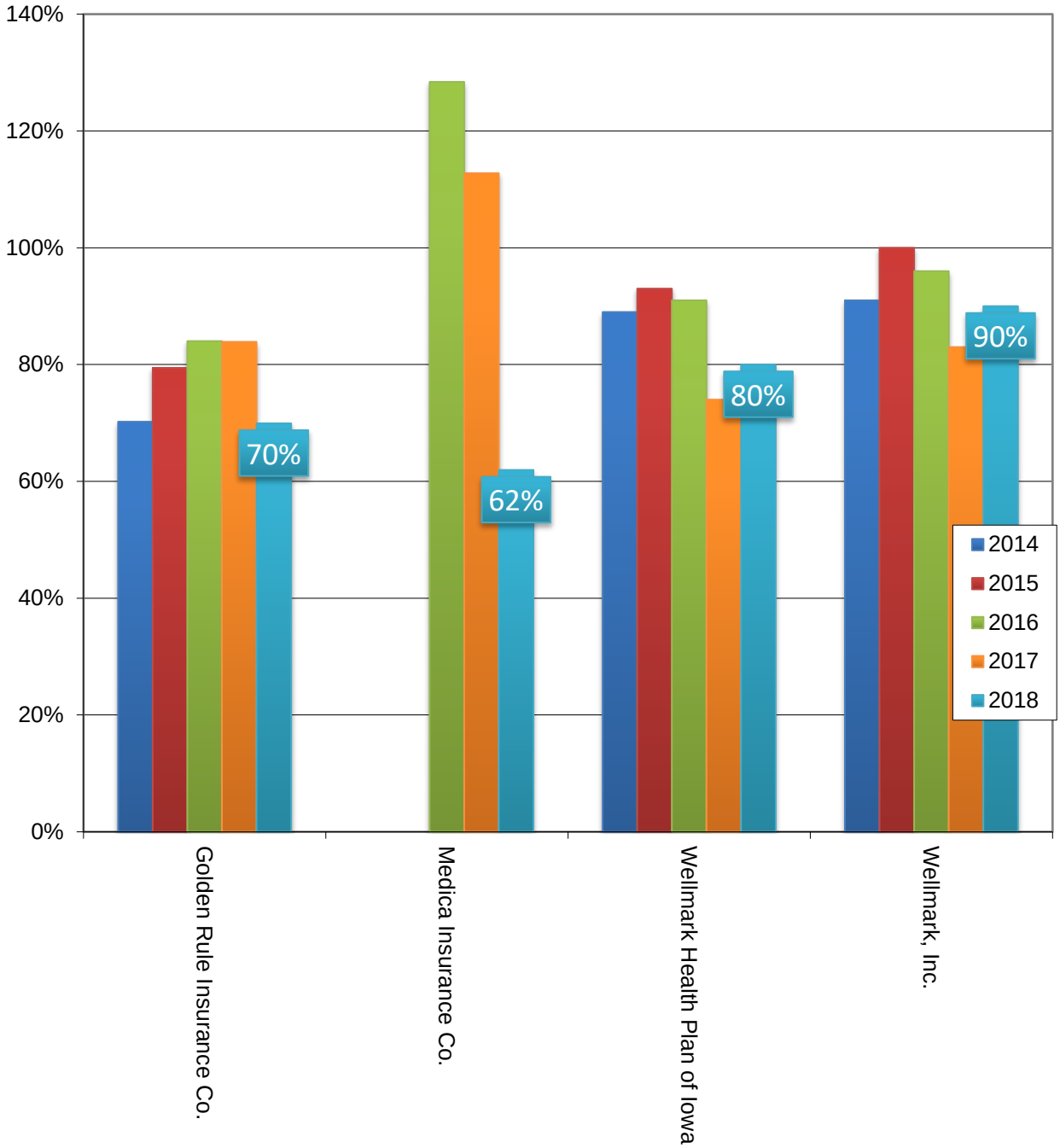
Average Loss Ratio by Market by Year (Weighed by Member Months)					
	2014	**2015**	**2016**	**2017**	**2018**
ICMM Total	89%	97%	95%	88%	74%
Small Group Total	81%	82%	82%	81%	78%
Large Group Total	86%	87%	86%	86%	85%

As discussed above, the federal rules call for additional adjustments to the numerator (claims) and denominator (premium) of the loss ratio to determine if a carrier has to pay rebates, so the information provided by the carriers and presented in the previous tables is not on the same basis as the 80% requirement, though it does provide a good estimate of the percentage of premium that carriers are paying in health care claims.

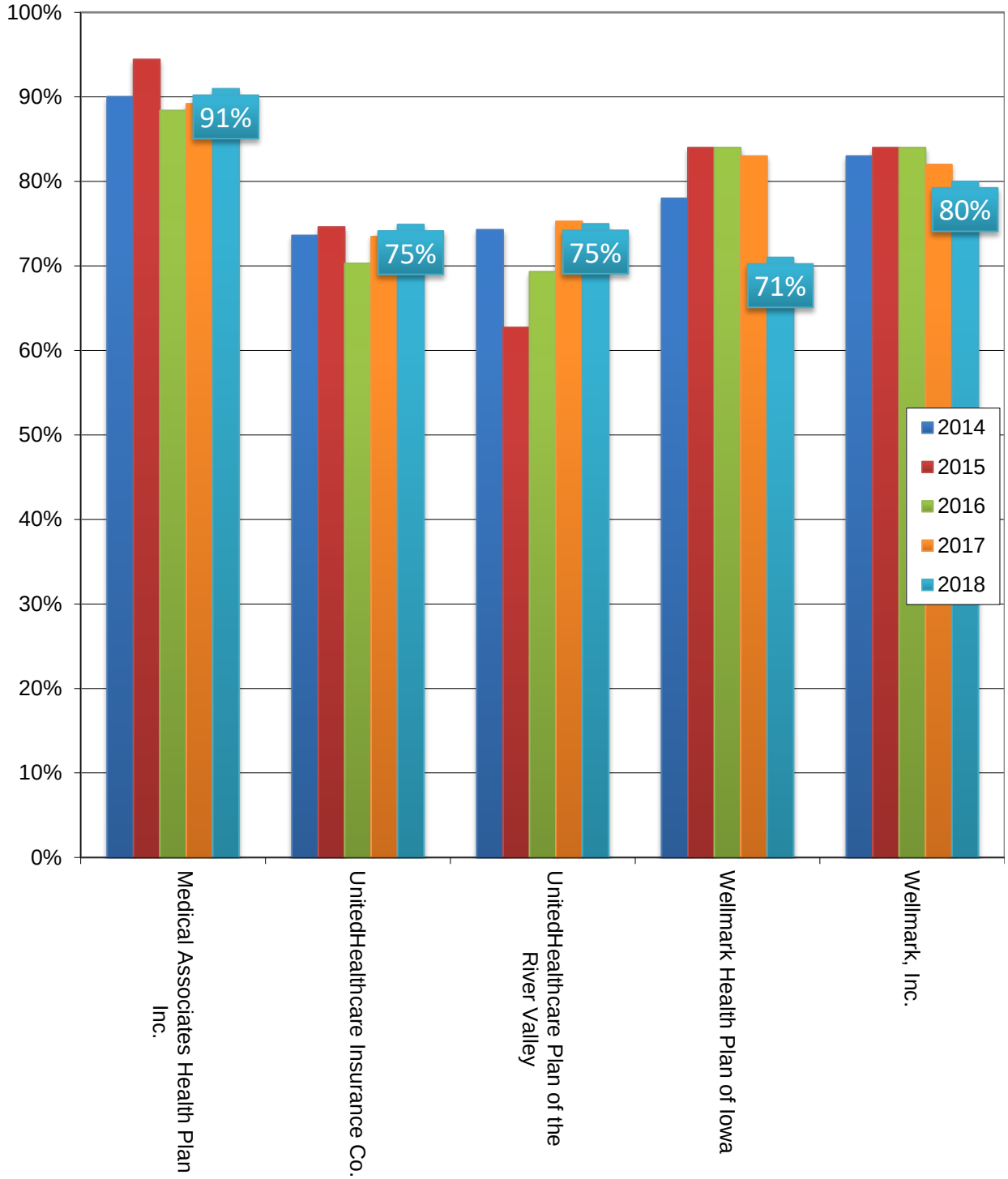
We note for the individual and small group markets, the traditional loss ratio is not as good an indicator of profitability as it is in the large group market due to the risk adjustment program discussed later in the report. A company with a high traditional loss ratio could be enrolling a sicker population than the state average, meaning they would receive a payment from the carriers with a healthier population.

There is wide variation in traditional loss ratios between companies. Individual loss ratios varied from 62% to 90% in 2018. Small and large group varied from 71% to 91% and 78% to 94%. The wide variation is due to low credibility of some carriers which drives more volatile experience. The loss ratios displayed here do not use the federal medical loss ratio (MLR) formula used for the federal MLR rebate calculation. The rebate MLR is typically higher than the traditional loss ratio displayed here. The following charts compare companies for each market segment for 2014-2018. Note that companies that do not offer coverage in a market segment are not included. For readability, the data labels are only included for 2018. The complete loss ratios are provided in Appendix B.

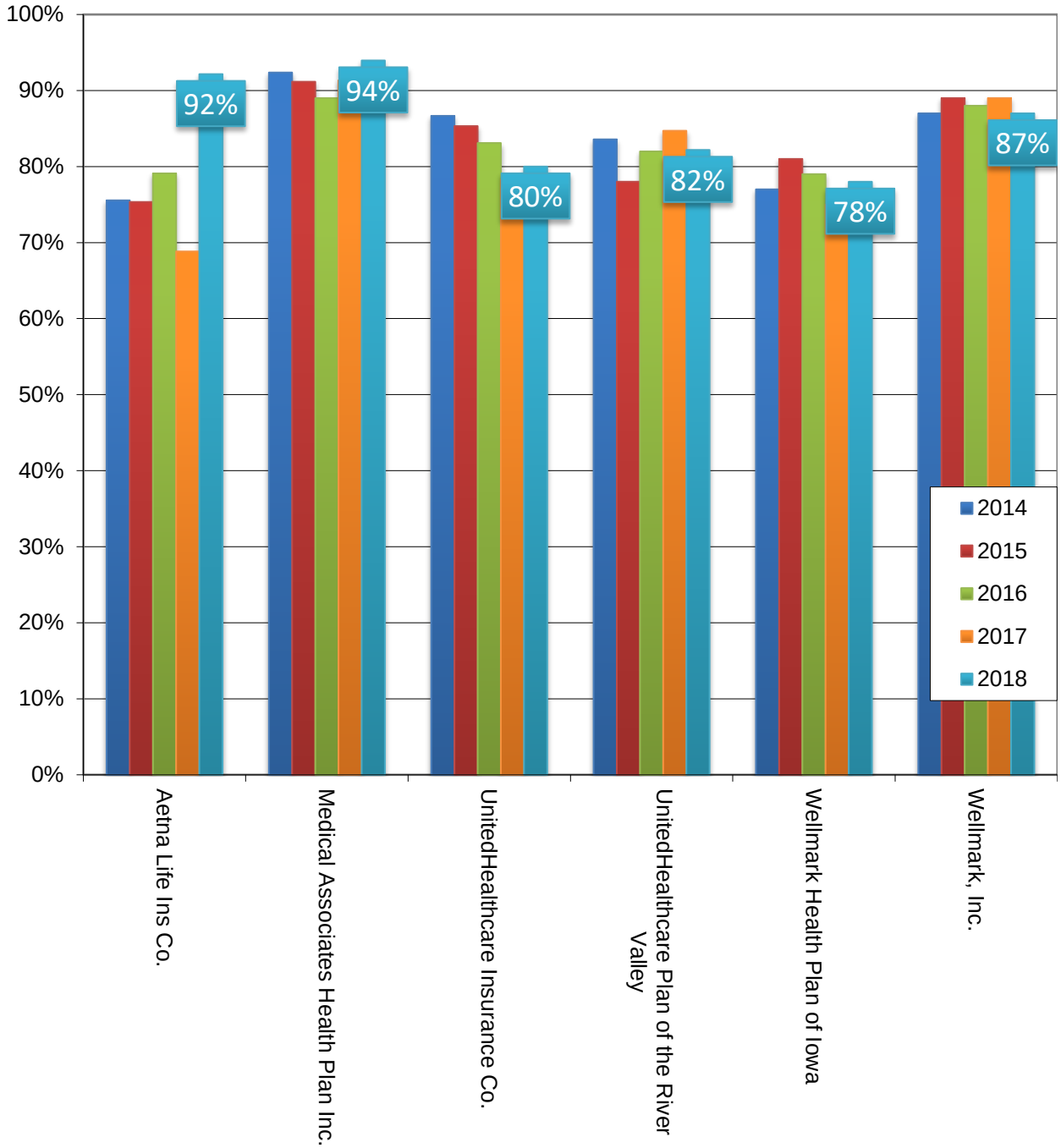
ICMM Loss Ratios 2014-2018



Small Group Loss Ratios 2014-2018



Large Group Loss Ratios 2014-2018



The following tables show each company's loss ratio by market for 2018:

2018 ICMM Loss Ratios	
Golden Rule Insurance Co.	70%
Medica Insurance Company	62%
Wellmark Health Plan of Iowa	80%
Wellmark, Inc.	90%

2018 Small Group Loss Ratios	
Medical Associates Health Plan Inc.	91%
UnitedHealthcare Insurance Co.	75%
UnitedHealthcare Plan of the River Valley	75%
Wellmark Health Plan of Iowa	71%
Wellmark, Inc.	80%

2018 Large Group Loss Ratios	
Aetna Life Ins Co.	92%
Medical Associates Health Plan Inc.	94%
UnitedHealthcare Insurance Co.	80%
UnitedHealthcare Plan of the River Valley	82%
Wellmark Health Plan of Iowa	78%
Wellmark, Inc.	87%

The portion of the premium not used for claims is used for other expenses and profits . For ACA business, there will also be a Risk Adjustment transfer or receivable. Companies surveyed reported a wide range of commission percentages and administrative percentages. The straight average commission percentage in 2018 was 2.0%, but it ranged from 0.5% to 3.6%. This is a decrease from the 2.1% average commission in 2017. Commissions for individual products are traditionally higher than for small group products and commissions for large group products are traditionally lower. The mix of business between individual and group may explain some of the variation between the companies because these lines of business have different levels of administrative cost.

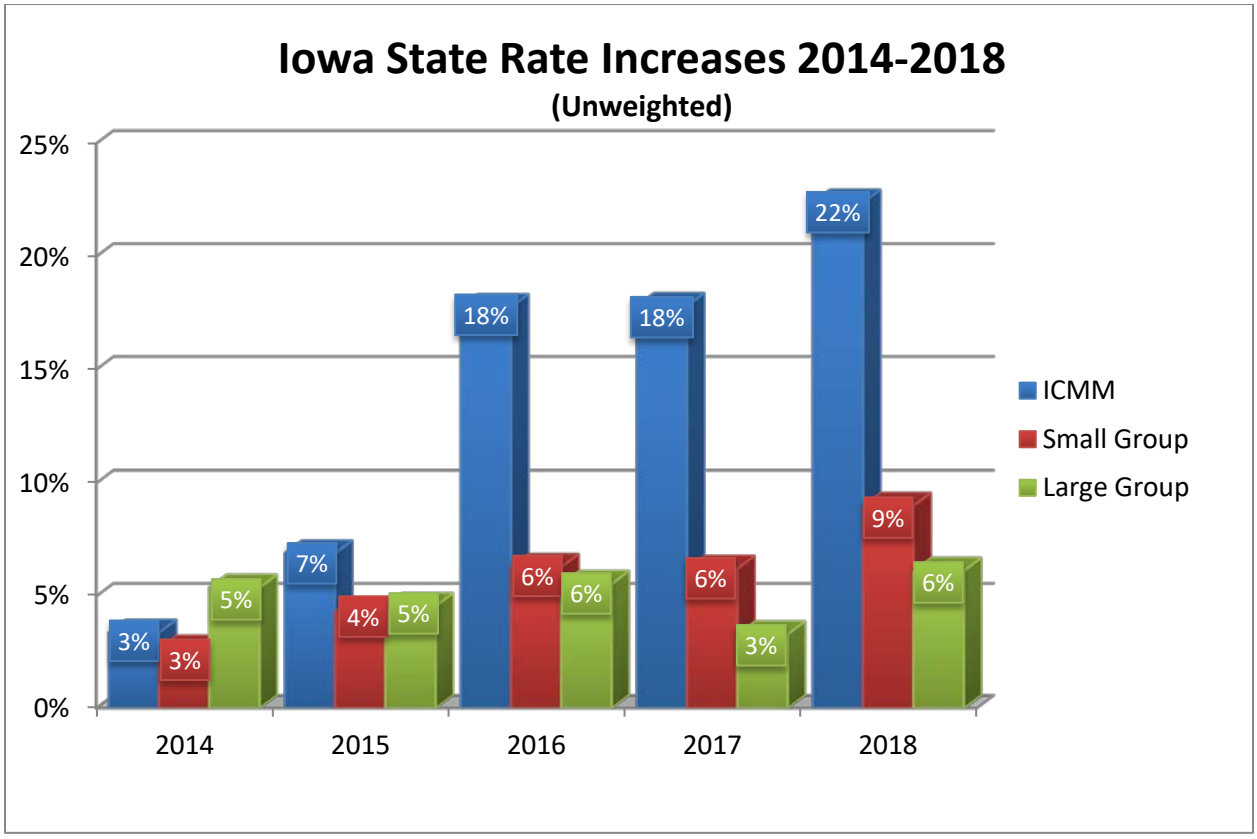
The straight average administrative expense percent of premium in 2018 was 11.1%, but the percentages ranged from -0.7% to 20.9%. This is a slight increase from the average administrative expense percent of premium of 10.1% in 2017. (See ***Appendix G*** for more detail on the highest percentages of other administrative costs reported by the companies).

Rate Increase History

b. Rate increase data.

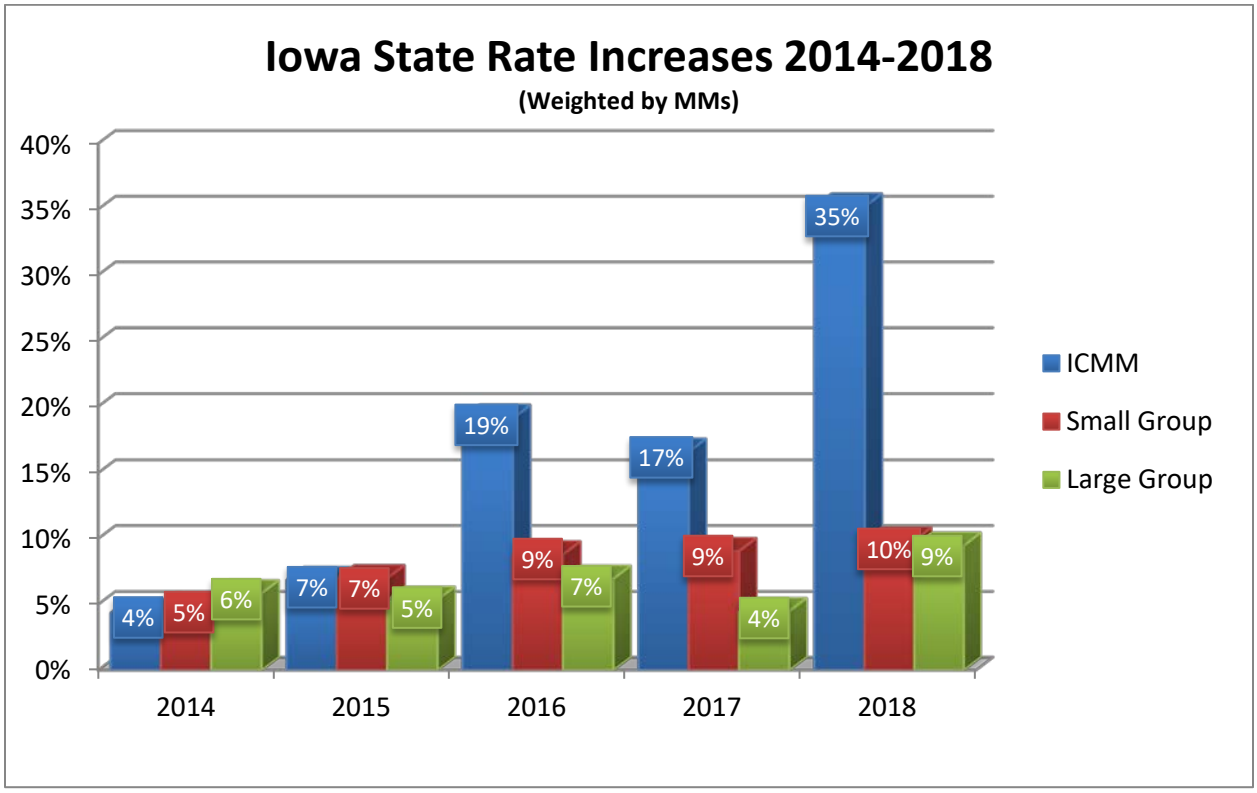
A complete set of data can be found in ***Appendix C.***

The charts below detail the average rate increases among carriers included in the data call for the past 5 years, on a non-weighted and weighted basis. [18,19] As explained above, the weighted increases are weighted using member months and, due to Wellmark Inc.'s significant membership in the group markets, the weighted rate increases with more closely resemble Wellmark, Inc.'s rate increases, while the individual market will resemble the average between Wellmark, Inc. and Medica Insurance Company.



[18] This is an example of historic values that may not match previous reports due to the companies that have left the market and were removed from historic data.

[19] Aetna Life Insurance Company was not included in surveys prior to 2018 so they we do not have accurate rate increase data prior to 2017.



The information provided in the charts above is also summarized in the tables below.

Average Rate Increase by Market by Year (Unweighted)					
	2014	**2015**	**2016**	**2017**	**2018**
ICMM	3%	7%	18%	18%	22%
Small Group	3%	4%	6%	6%	9%
Large Group	5%	5%	6%	3%	6%

Average Rate Increase by Market by Year (Weighted by Member Months)					
	2014	**2015**	**2016**	**2017**	**2018**
ICMM	4%	7%	19%	17%	35%
Small Group	5%	7%	9%	9%	10%
Large Group	6%	5%	7%	4%	9%

The 2018 individual market rate increases varied from 0% to 57%. For comparative purposes, the ACA requires a determination of reasonableness from the State and an explanation from the carrier for any rate increases of 15% or more.[20] The noticeable increase in individual rates for 2018 is likely largely driven by the CSR loading on silver plans for ACA individual plans. The 2018 group rate increases were much milder than the individual market. The small group rate

[20] Note the 15% requirement is at the plan level so a carrier would still require a determination of reasonableness if any of their plans has an increase over 15%, even if the overall average is less than 15%.

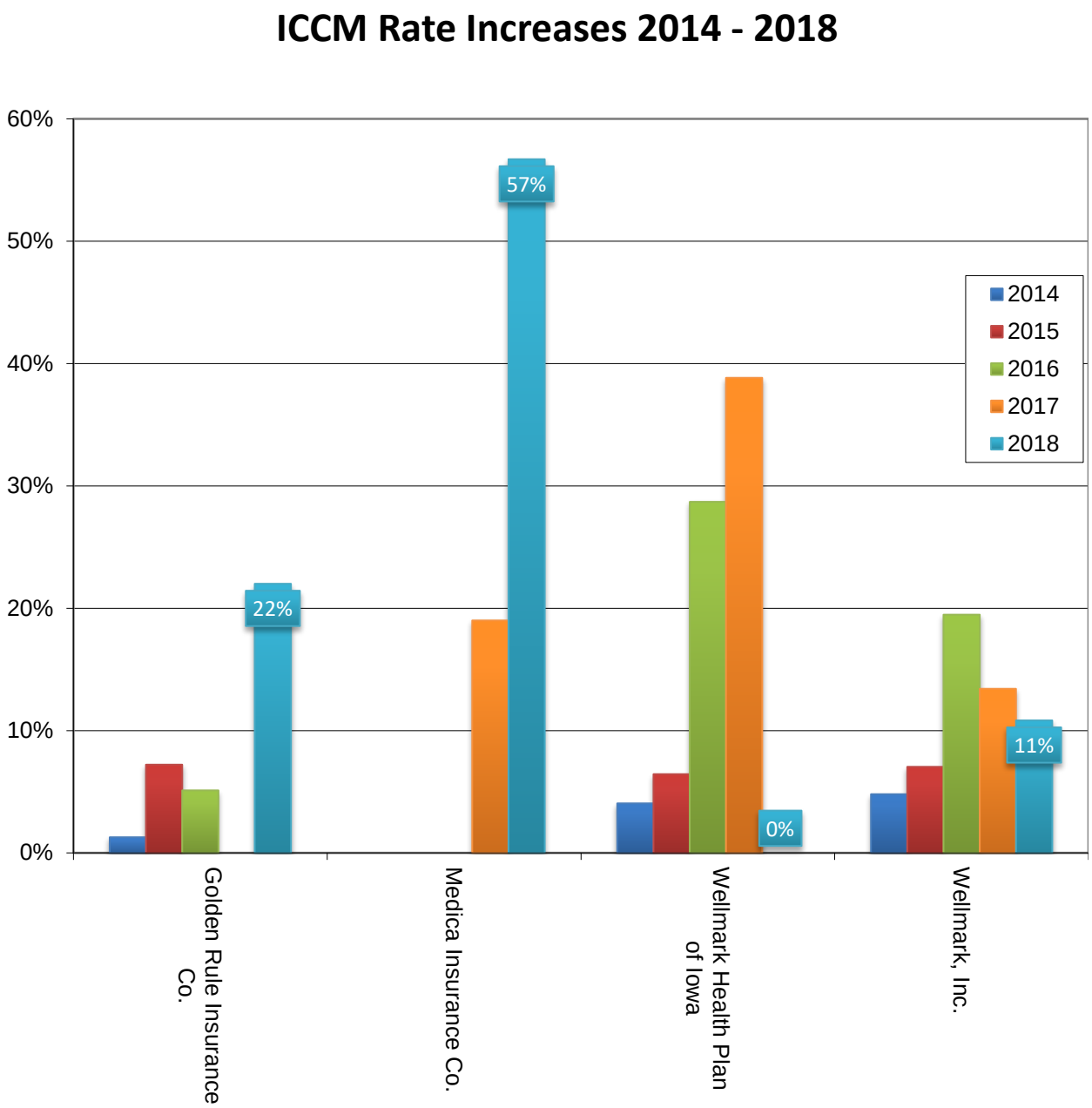
increases varied from 2% to 14% and the large group rate increases varied from 1% to 11%. Below are the 2018 average rate increases by company for each market.

2018 ICMM Rate Increases	
Golden Rule Insurance Co.	22%
Medica Insurance Company	57%
Wellmark Health Plan of Iowa	0%
Wellmark, Inc.	11%

2018 Small Group Rate Increases	
Medical Associates Health Plan Inc.	14%
UnitedHealthcare Insurance Co.	2%
UnitedHealthcare Plan of the River Valley	6%
Wellmark Health Plan of Iowa	13%
Wellmark, Inc.	10%

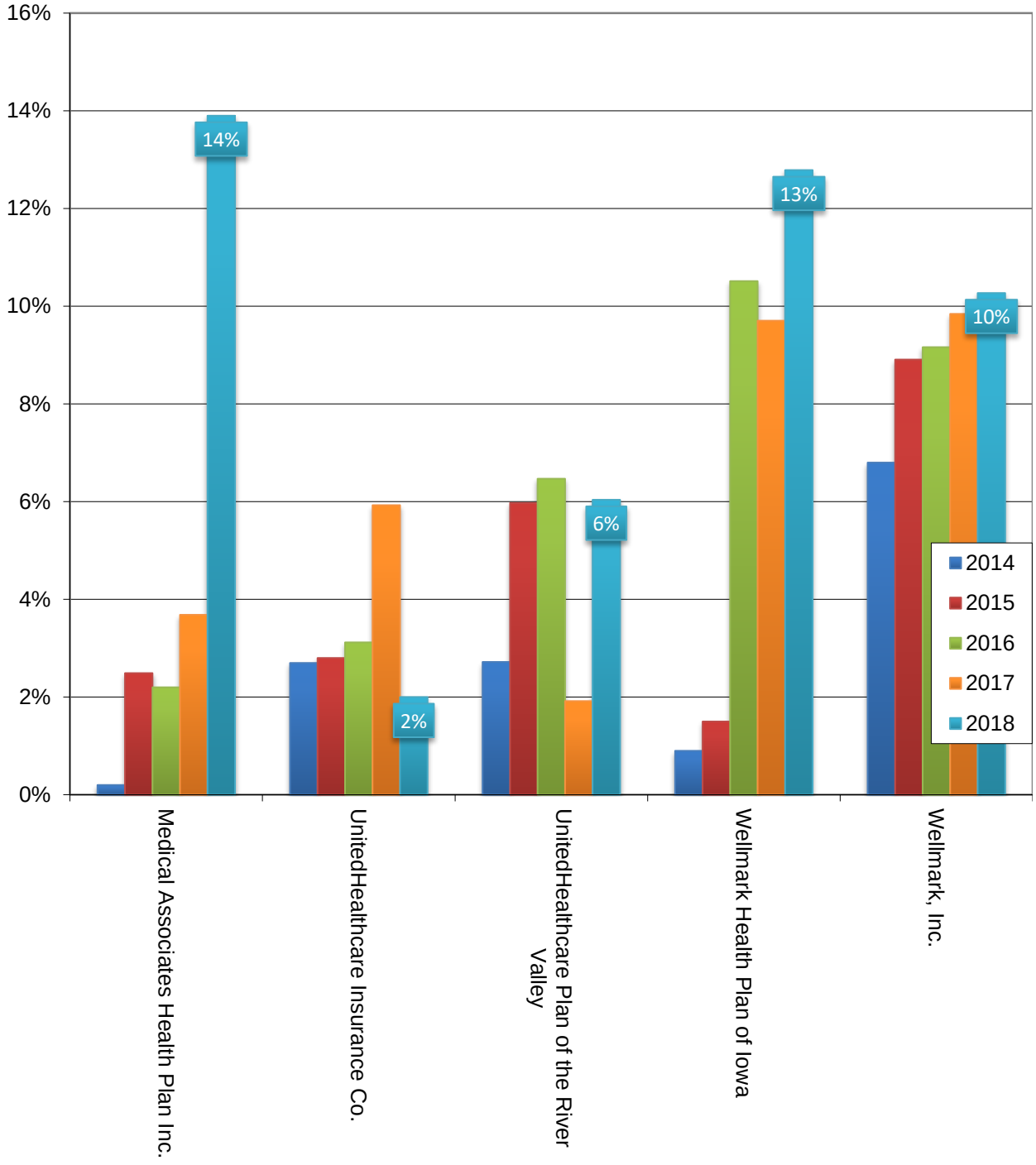
2018 Large Group Rate Increases	
Aetna Life Ins Co.	1%
Medical Associates Health Plan Inc.	3%
UnitedHealthcare Insurance Co.	6%
UnitedHealthcare Plan of the River Valley	7%
Wellmark Health Plan of Iowa	11%
Wellmark, Inc.	11%

The following three charts show rate increases by company within each market by year.[21,22,23]

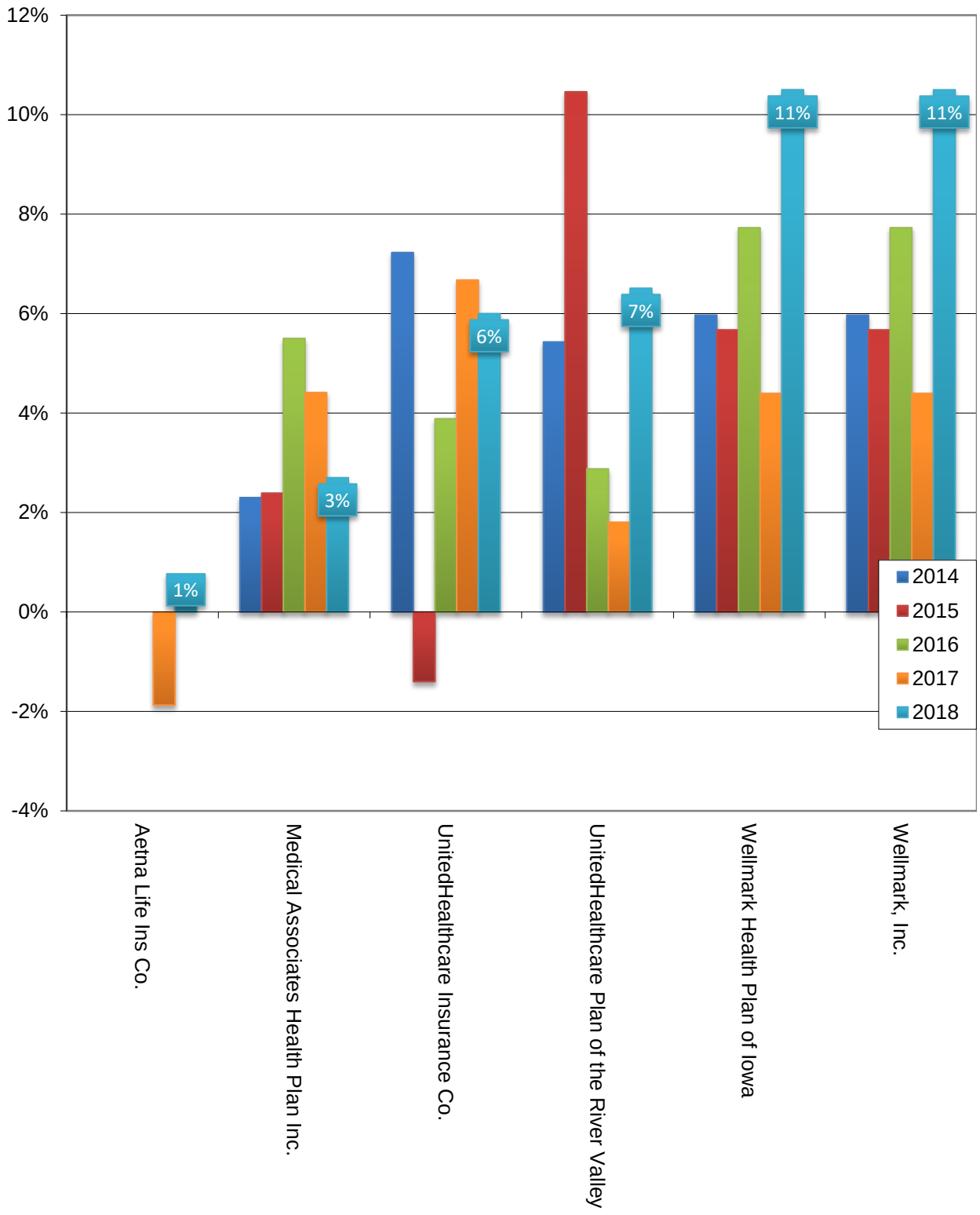


[21] Only 2018 labels are included for readability.
[22] Medica Insurance Co. was new to the Iowa individual market in 2016 which is why they show a 0% increase. We do not have rate increase information for Aetna Life Insurance Company for 2014-2016 because they were not included in surveys prior to 2018.
[23] Medica was the only participant in the ACA market in 2018 and included an additional load on individual market silver plans to account for the federal decision to defund CSRs, which is driving the significantly higher rate increase.

Small Group Rate Increases 2014 - 2018



Large Group Rate Increases 2014 - 2018



Health Care Expenditures

c. Health care expenditures in the state and the effect of such expenditure on health insurance premium rates.

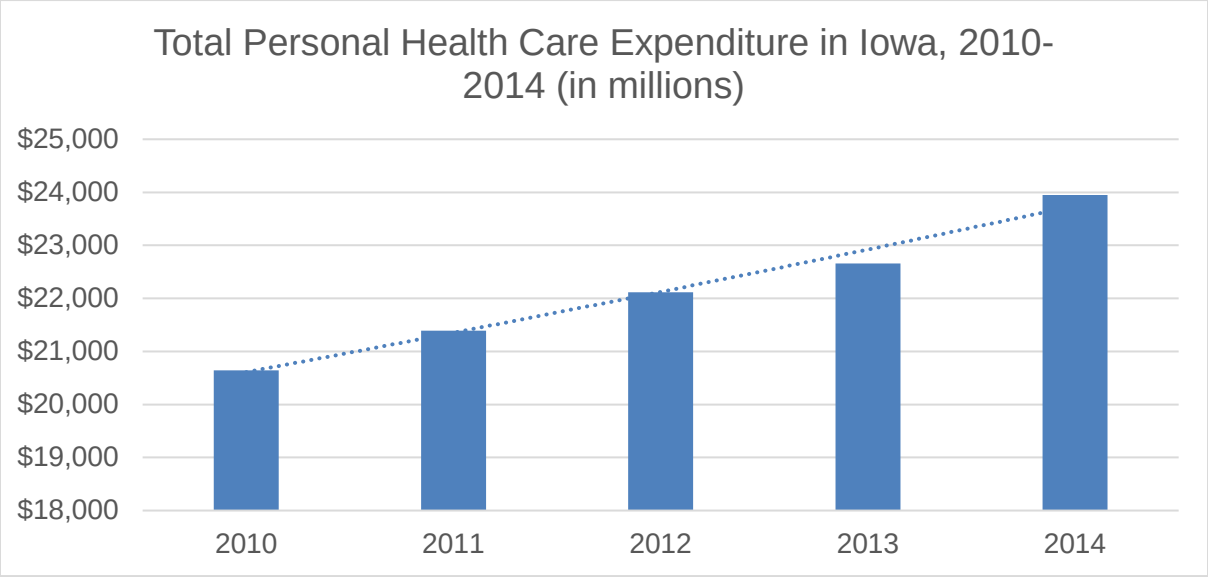
National Health Expenditures

Health care expenditures drive health insurance premiums. As the cost of health care services increase due to either the cost of the individual services or the use of the services, that cost increase is passed on to policyholders in the form of premium increases. Periodically, CMS releases a provider expenditure report which provides information on the annual health care expenditures for certain categories by state and by region. The latest report includes data from 1980 through 2014. The table below shows the total expenditures in Iowa by category (in millions) for the most recent available 5 years included in the report.[24]

Iowa Expenditure Category (in millions)	2010	2011	2012	2013	2014
Hospital Care	$8,065	$8,336	$8,704	$8,993	$9,426
Physician & Clinical Services	$3,775	$3,861	$3,985	$4,031	$4,238
Other Professional Services	$631	$654	$688	$725	$757
Dental Services	$939	$1,001	$977	$984	$1,017
Home Health Care	$422	$435	$480	$504	$549
Prescription Drugs	$2,553	$2,693	$2,748	$2,726	$3,066
Other Non-durable Medical Products	$428	$465	$478	$496	$503
Durable Medical Products	$345	$377	$387	$400	$410
Nursing Home Care	$1,837	$1,897	$1,942	$1,973	$2,077
Other Health, Residential, and Personal Care	$1,647	$1,675	$1,725	$1,827	$1,907
Total Personal Health Care	**$20,644**	**$21,394**	**$22,115**	**$22,659**	**$23,949**

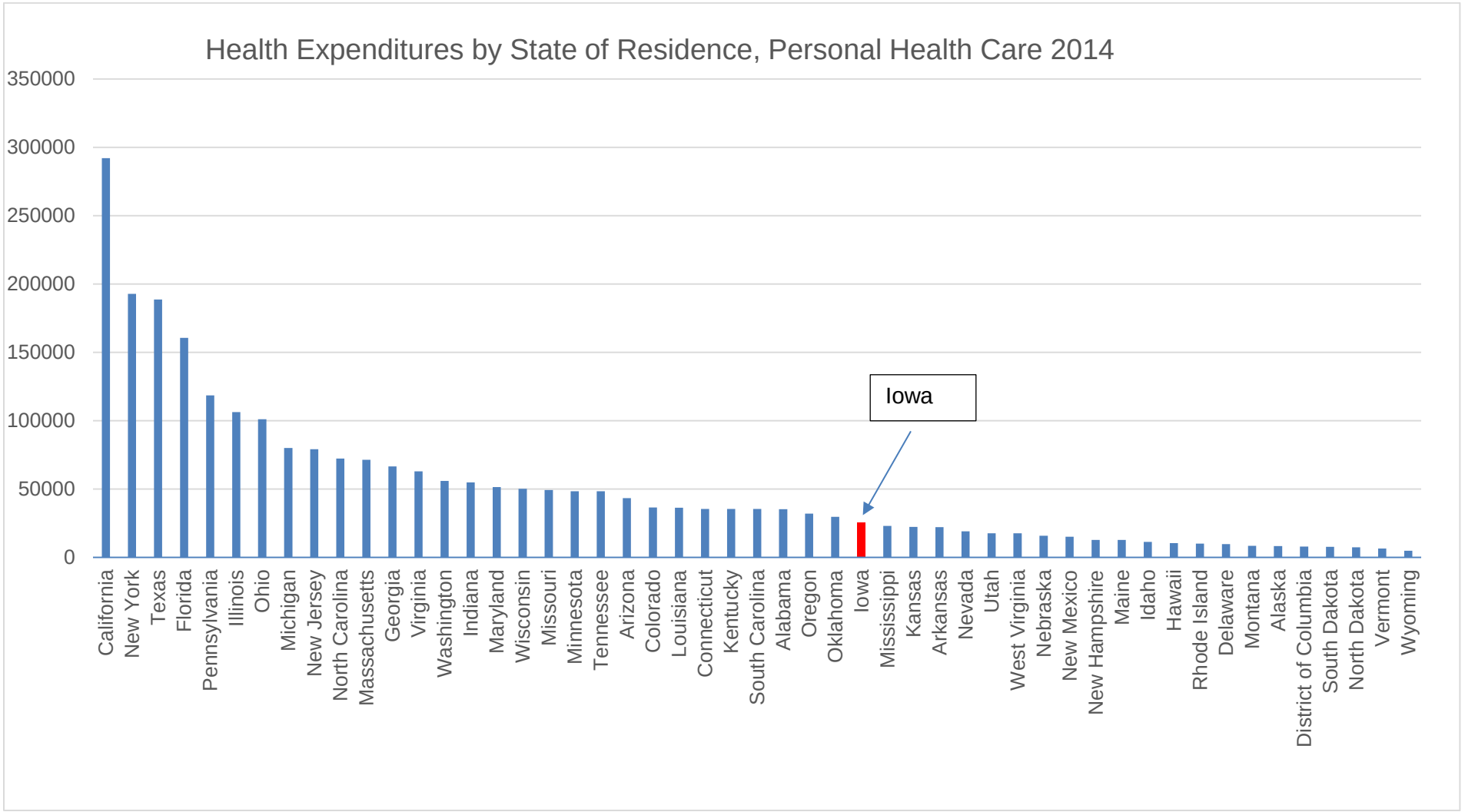
[24] CMS.gov. "State (Provider) Health Expenditures by State of Provider, 1980-2014." https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsStateHealthAccountsProvider.html. Accessed October 24, 2019.

The CMS report showed a consistent increase in the total personal health care expenditure over the latest available five years. The graph below shows the trend in total personal health care expenditure in Iowa from 2010 to 2014.



CMS also provided a report detailing the health expenditures for personal health care by state as of 2014. The chart below compares the aggregate and per capita estimates of Iowa (in red) to the other states.[25] According to the table, Iowa's per capita health expenditures rank 30 of 51 states (including the District of Columbia). Although Iowa's expenditures have been consistently increasing, they continue to be significantly less than states such as California, New York, and Texas.

[25] CMS.gov. "Health Expenditures by State of Residence, 1991-2014." https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsStateHealthAccountsResidence.html. Accessed October 24, 2019.

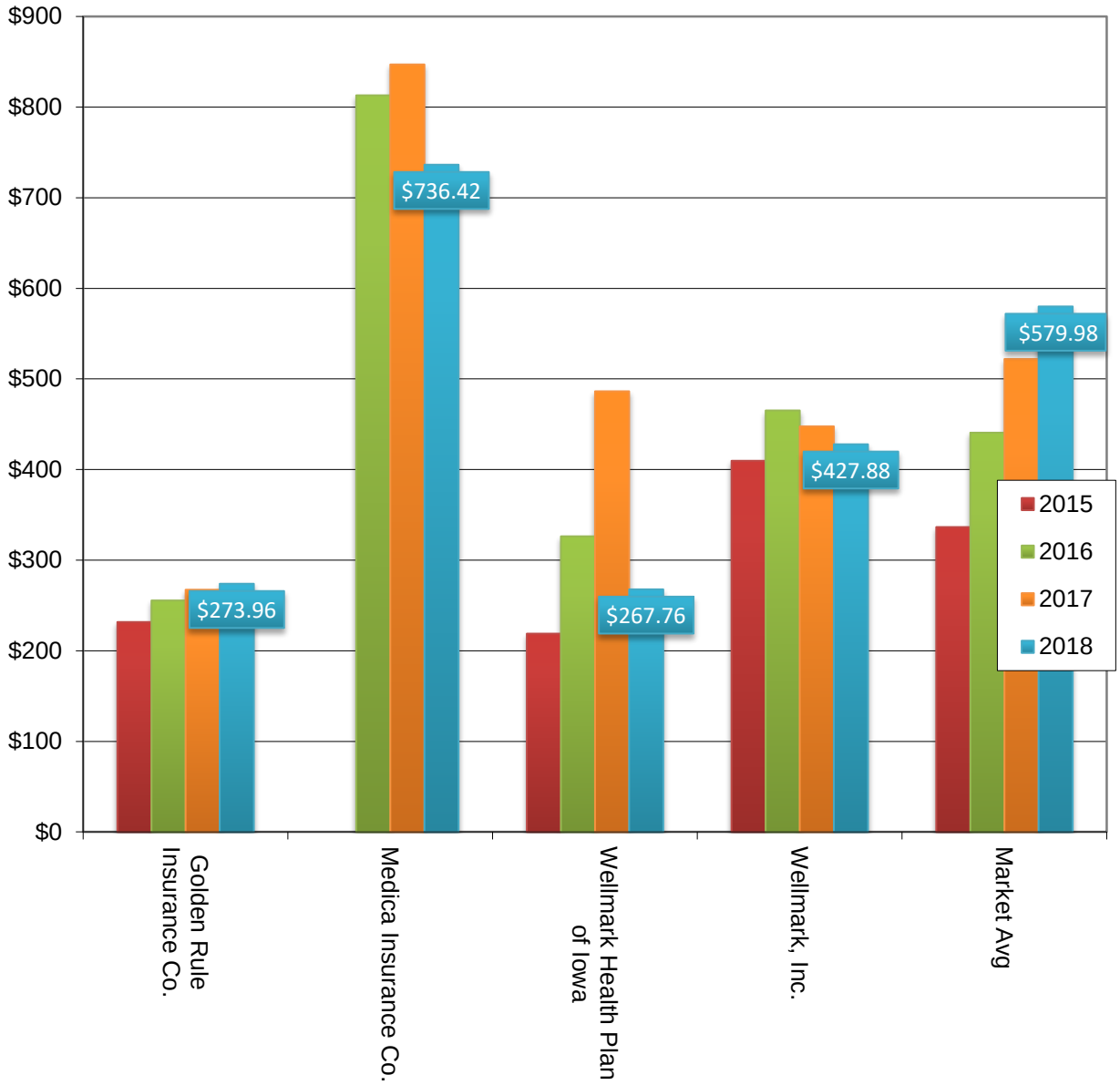

Health Expenditures by State of Residence, Personal Health Care 2014
350000
300000
250000
200000
150000
100000
50000
0
Iowa
California
New York
Texas
Florida
Pennsylvania
Illinois
Ohio
Michigan
New Jersey
North Carolina
Massachusetts
Georgia
Virginia
Washington
Indiana
Maryland
Wisconsin
Missouri
Minnesota
Tennessee
Arizona
Colorado
Louisiana
Connecticut
Kentucky
South Carolina
Alabama
Oregon
Oklahoma
Iowa
Mississippi
Kansas
Arkansas
Nevada
Utah
West Virginia
Nebraska
New Mexico
New Hampshire
Maine
Idaho
Hawaii
Rhode Island
Delaware
Montana
Alaska
District of Columbia
South Dakota
North Dakota
Vermont
Wyoming

Allowed Claims PMPM Experience

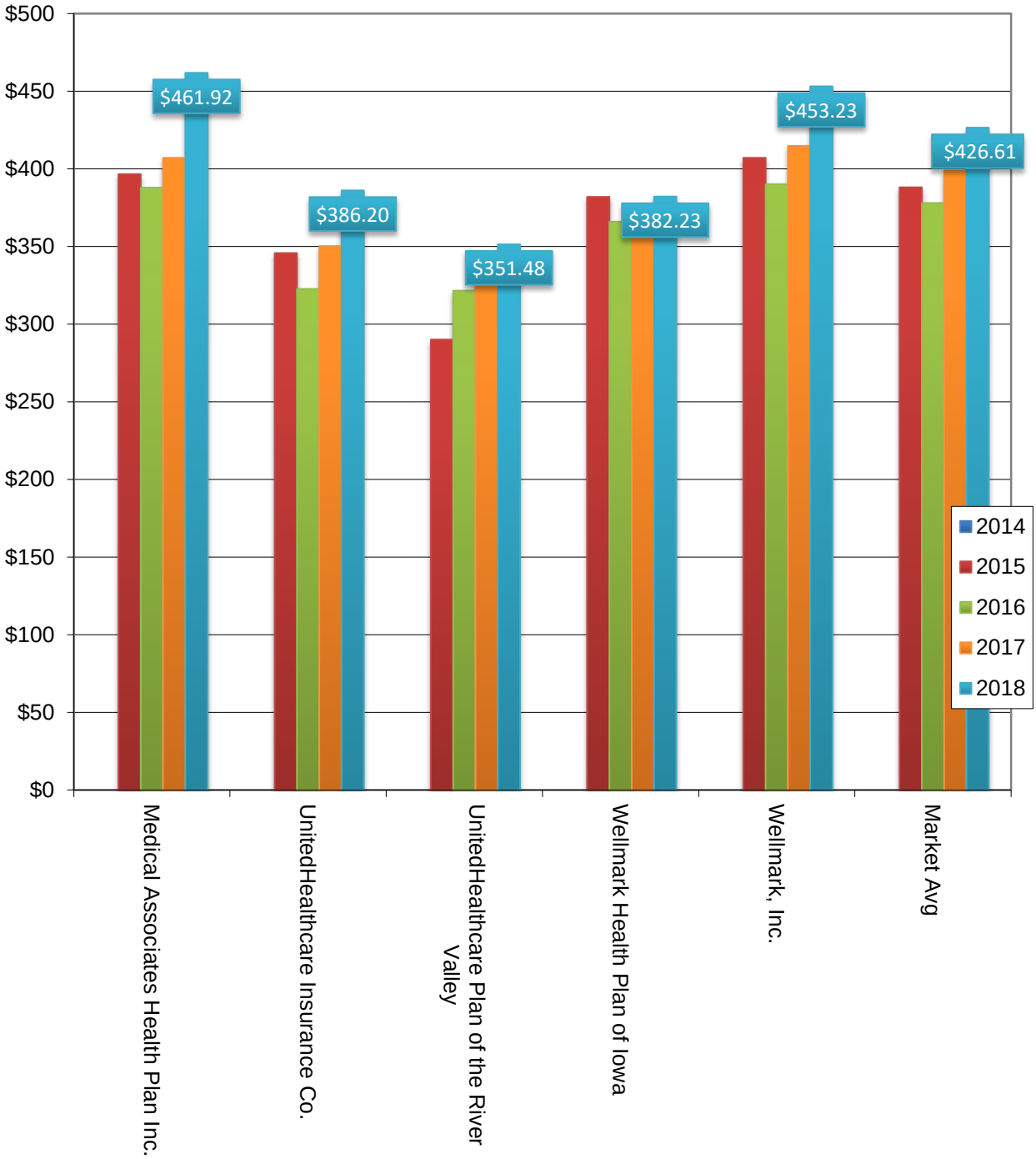
The allowed amounts provided in the data call are provided in ***Appendix G***.

We recognize the national health expenditure data, while relatively recent, is outdated due to implementation of the ACA, which was not implemented until 2014. Even after the implementation, the market has continued to evolve and adapt to continually changing regulations and guidance. We expect the national health expenditure data will be updated later this year, however, to supplement this information we began requested allowed claims from the surveyed carriers beginning with the 2015 plan year. The allowed amount is the maximum amount that an insurer will pay for a covered service, i.e. prior to cost sharing. Reviewing the change in allowed claims by year provides context about how health expenditures are changing. The results by market is presented in the charts below. It is important to note that PMPM amounts by carrier are likely not directly comparable. This is caused by different carriers having different enrolled populations in terms of demographics and morbidity levels. For the individual and small group markets (especially the individual market) carriers also have a different mix of ACA and non-ACA plans.

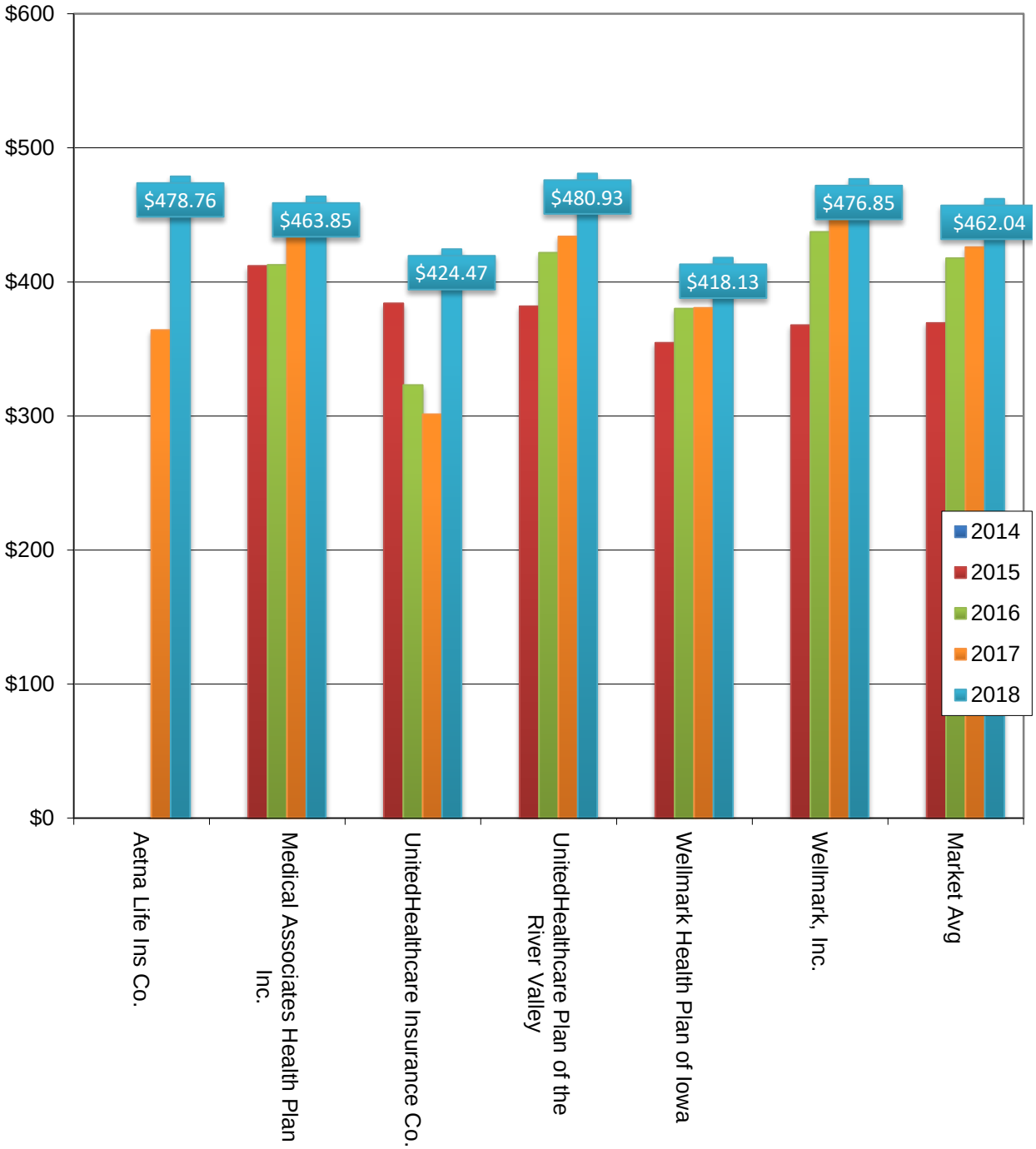
ICCM Allowed Claims PMPMs 2015-2018



Small Group Allowed Claims PMPMs 2015-2018



Large Group Allowed Claims PMPMs 2015-2018



Unified Rate Review Template (URRT) Allowed Claims Experience

We can also capture allowed claims experience at a more detailed level for non-grandfathered individual and small group markets using the Unified Rate Review Template (URRT). The URRT is required to be submitted by carriers in the individual and small group markets[26] when they propose ACA-compliant plan rates in a plan year, and provides allowed claims information at the benefit category level.

We have included comparison charts for the major benefit categories contained in the URRT. Because not all issuers' URRTs show capitation amounts, and because the URRT "Other" categories are small and inconsistent, we have not provided charts for these categories. Please we capture what we believe are the most comparable benefit categories in the charts below, while there are benefits categories (capitation and other) which are not included. Thus, the totals provided below will not add up to the total allowed claims for the in the experience period of the URRTs. The allowed claims PMPM for the ACA, grandfathered, and transitional business combined is provided in the prior section 'Allowed Claims PMPM Experience.'

The URRT includes actual allowed claims in the experience period, which is defined as two years prior to the plan year (the year for which rates are being developed and filed for approval), for ACA-compliant and transitional business. For example, if a carrier proposes to offer ACA-compliant plans in 2020, a URRT will include actual allowed costs from the 2018 plan year for a company's ACA-compliant and transitional business. Therefore, by reviewing the URRTs submitted by carriers for plan year 2017-2020[27], it allows us to capture actual allowed costs from 2015-2018 by benefit category for the individual and small group markets only, as large group market rate filings are not required to provide the URRT. Also please note the URRT changed slightly for the 2020 plan year where the experience period (2018) allowed costs are for essential health benefits only, whereas previous years the allowed claims also reflected non-EHBs. Very few companies offer benefits in addition to EHBs, and where applicable we multiplied the allowed by each company's estimated impact of non-EHBs to make the experience comparable.

Data from non-credible carriers was removed from the analysis below.

Since Medica Insurance Co.'s 2016 experience is not credible and because Medica Insurance Co. is the only carrier who filed rates for the 2018 plan year in the Iowa individual market; URRTs for the other companies were not provided. This means we were not able to capture credible experience information from the 2016 plan year for the individual market. The 2016 experience that Medica Insurance Co. provided represented 15,042 member months,[28] compared to nearly

[26] The URRTs are not submitted in the large group market.
[27] URRT information can be found at https://iid.iowa.gov/sfa
[28] 2016 individual market data was removed because it was not credible.

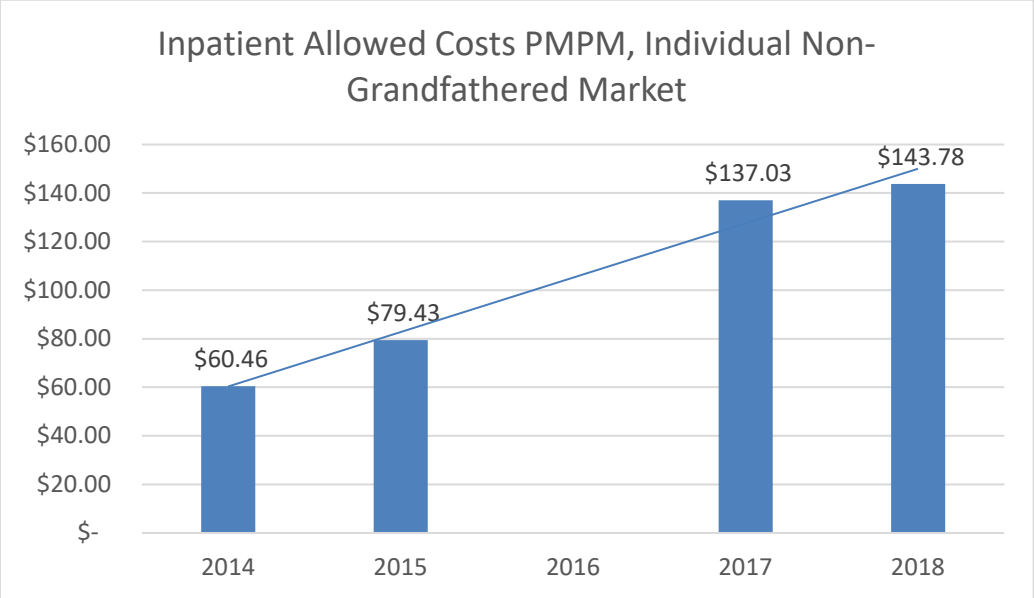
1.7 million member months we were able to capture in 2015. Many of these members were likely covered by other carriers who offered coverage in 2017, but subsequently exited the Iowa individual market.

We were able to capture credible experience from the 2017 plan year as Wellmark Health Plan of Iowa and Wellmark Value Health Plan, Inc. filed to rejoin the Iowa individual market in 2019. They will join Medica Insurance Co, who again filed rates for 2019 in the Iowa individual market. However, this experience only represents approximately 300,000 member months in 2017, compared to the nearly 1.7 million member months that were captured in 2015. Medica was the only carrier in the Iowa individual ACA market in 2018, and showed 491,277 member months in 2018. This suggests many of the members covered in 2015 have found alternate sources of coverage as carriers have left the market.

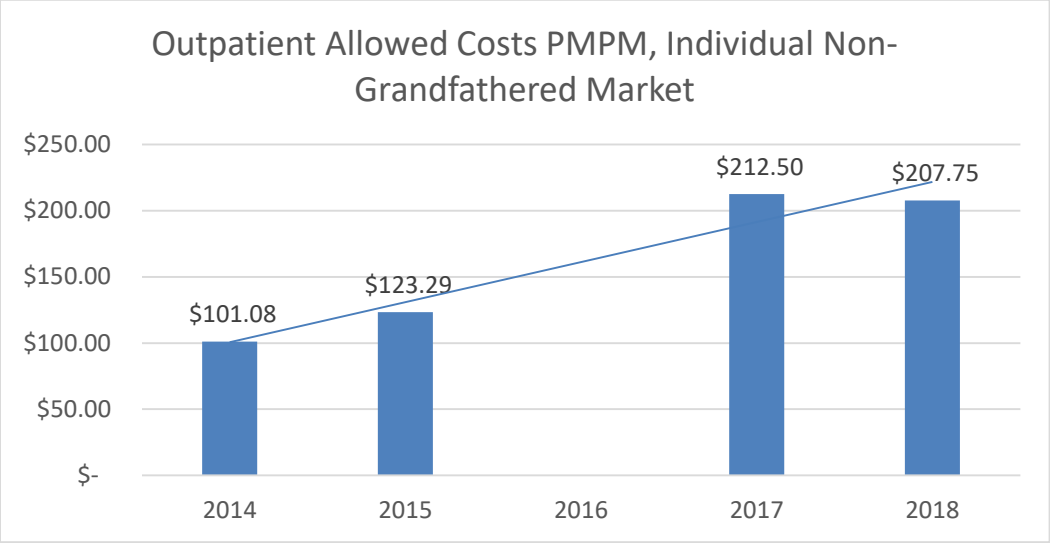
The small group market data is fully credible in all years.

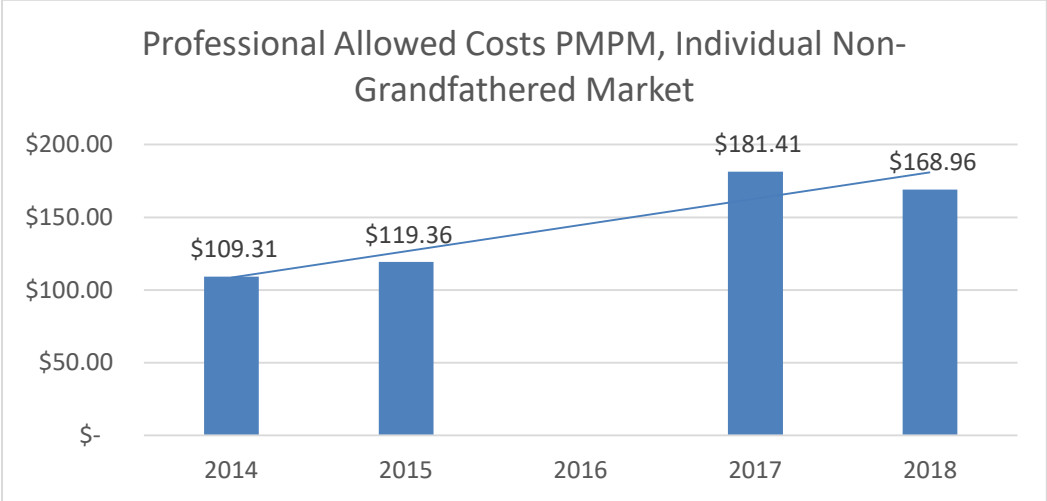
The URRT requires carriers to categorize allowed costs into Inpatient, Outpatient, Professional, Pharmacy, Other, and Capitation. The following tables show the PMPM costs by benefit category by market for the past three years.[29,30]

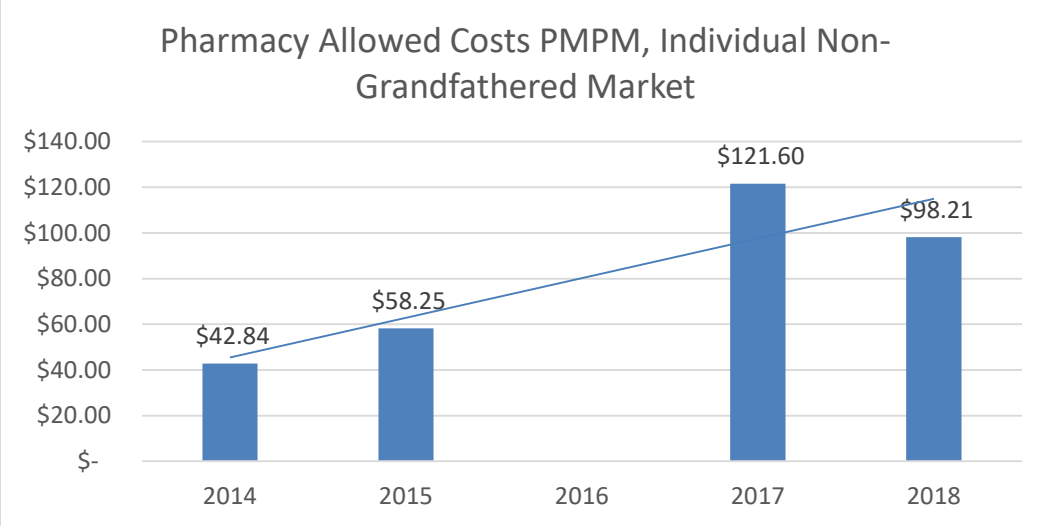
Individual Market Allowed Claims Per Member Per Month (PMPM)



[29] The benefit categories "Other" and "Capitation" are not included due to differences in reporting between carriers.
[30] The allowed amounts provided in these tables are from the carrier submitted URRTs, which represent ACA-compliant and transitional products. The carriers provided allowed amounts in the data call which differ from the allowed amounts in the URRT because of accounting differences and because they include additional business such as grandfathered plans.

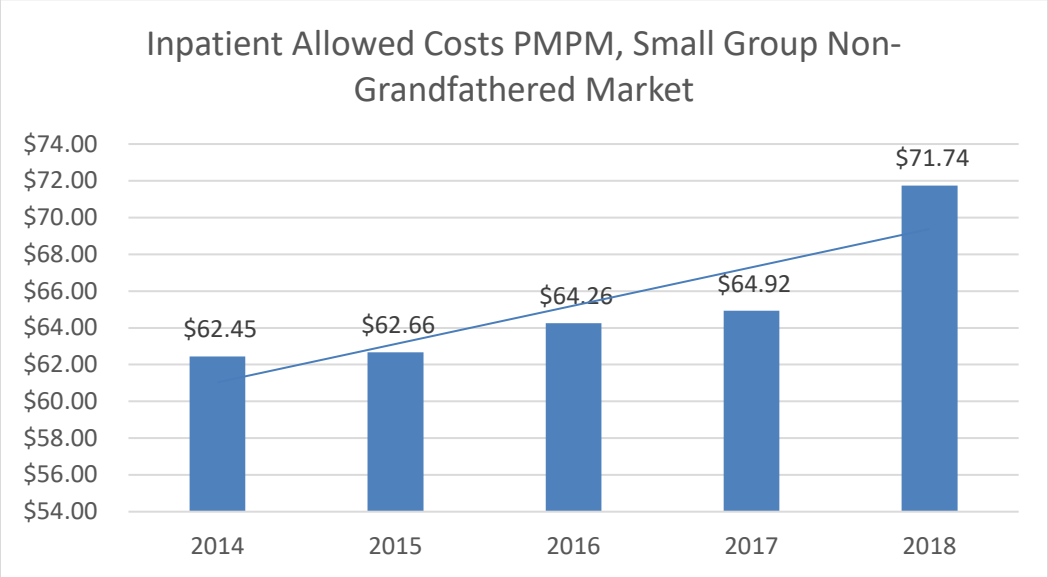

Outpatient Allowed Costs PMPM, Individual Non-Grandfathered Market
$250.00
$200.00
$150.00
$100.00
$50.00
$-
$101.08
$123.29
$212.50
$207.75
2014
2015
2016
2017
2018

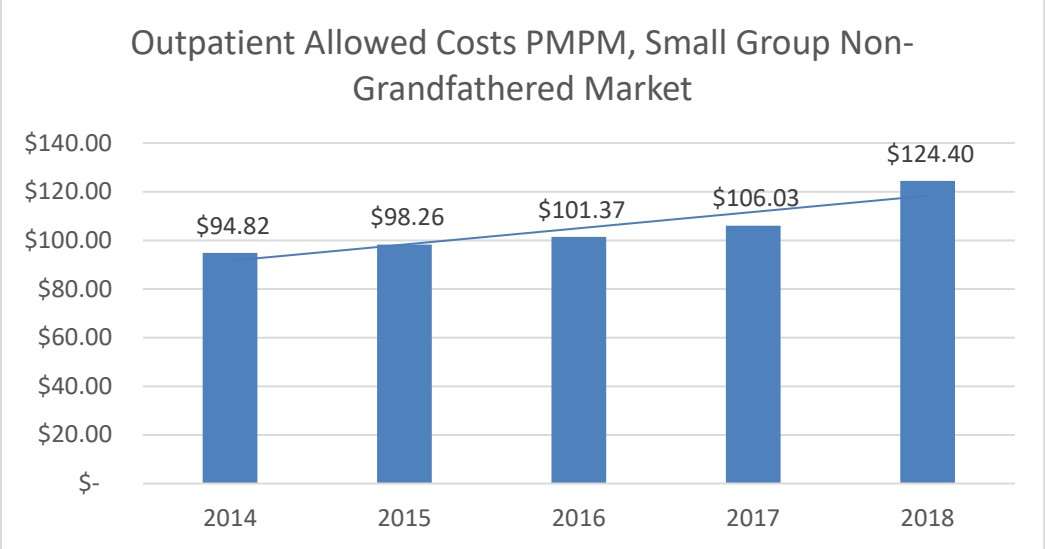

Professional Allowed Costs PMPM, Individual Non-Grandfathered Market
$200.00
$150.00
$100.00
$50.00
$-
$109.31
$119.36
$181.41
$168.96
2014
2015
2016
2017
2018

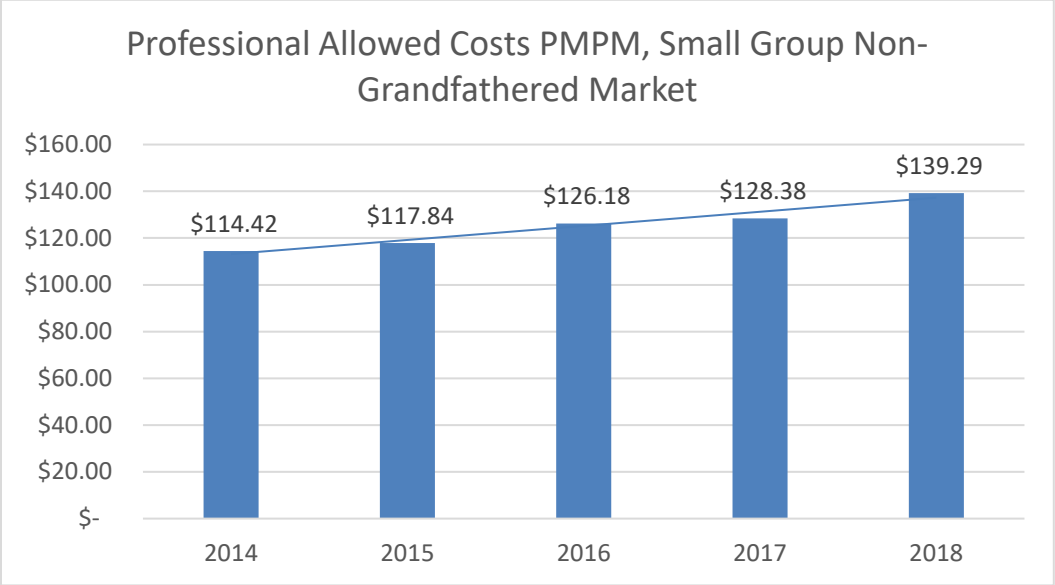

Pharmacy Allowed Costs PMPM, Individual Non-Grandfathered Market
$140.00
$120.00
$100.00
$80.00
$60.00
$40.00
$20.00
$-
$42.84
$58.25
$121.60
$98.21
2014
2015
2016
2017
2018

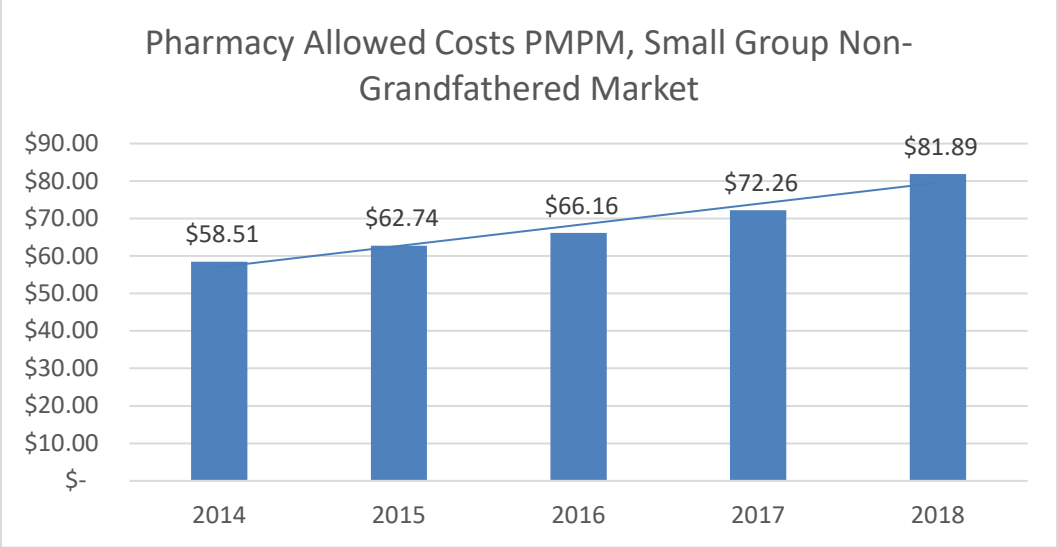
As shown in the tables above, the inpatient, outpatient, and pharmacy experience have increased relatively consistently from 20% to 24% on an annualized basis from 2014-2018. The professional category increase has been much lower at 12% on an annualized basis from 2014-2018.

Small Group Market Allowed Claims Per Member Per Month (PMPM)









The small group non-grandfathered market increases have been more moderate, with annualized increases being 3% for inpatient, 7% for outpatient, 5% for professional, and 9% for pharmacy.

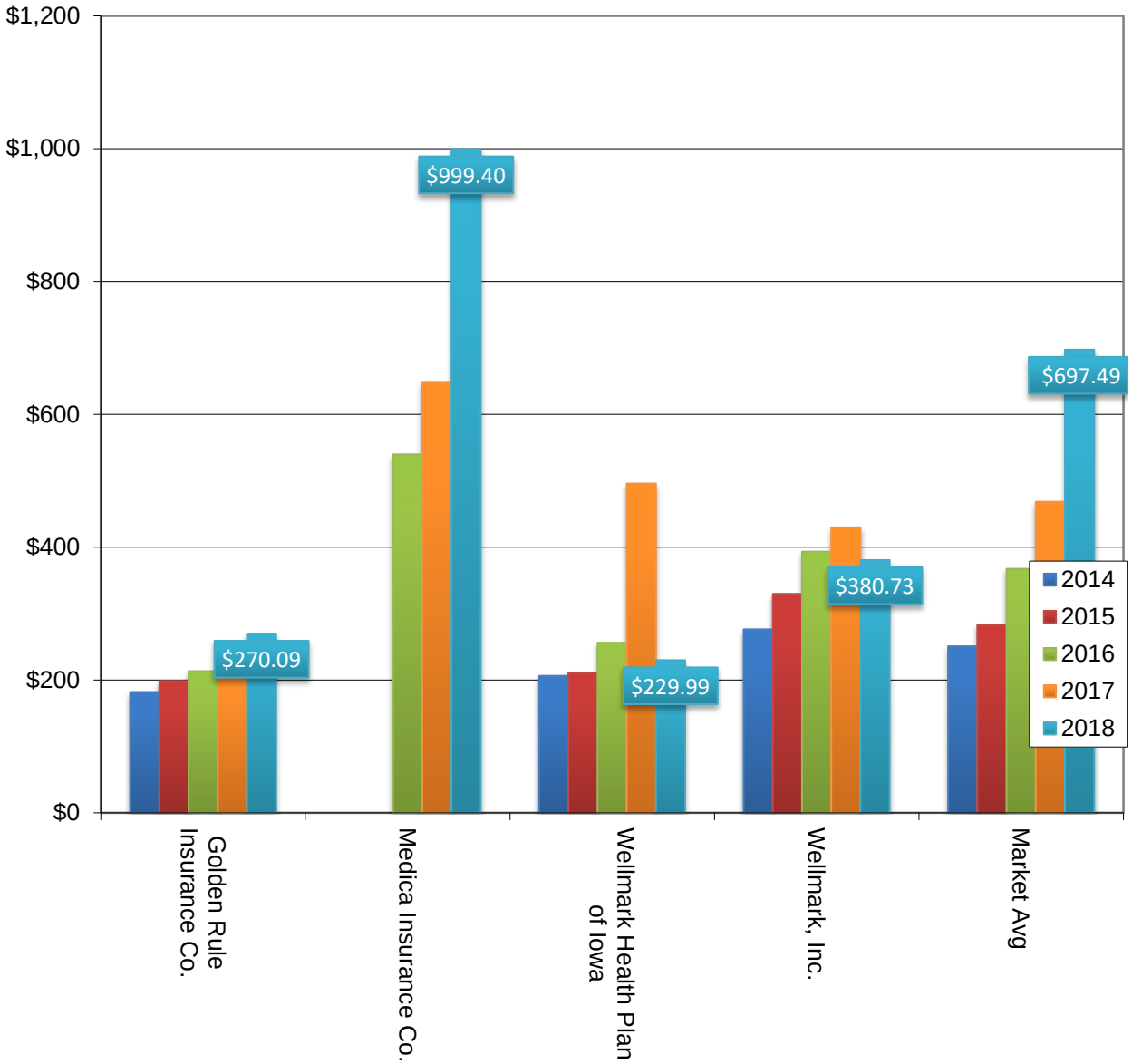
Earned Premiums PMPM

The total earned premiums provided in the data call are provided in ***Appendix G***.

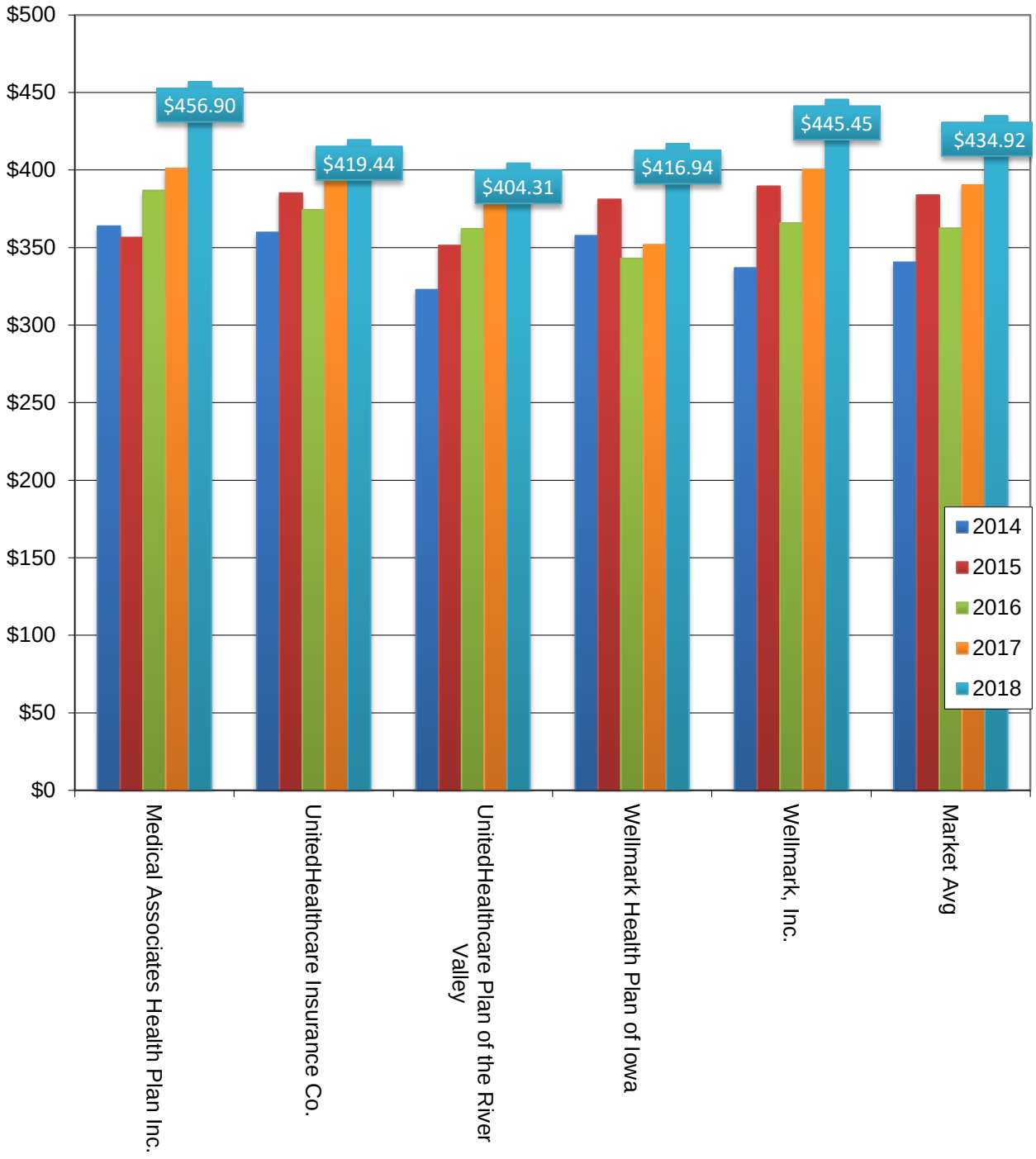
Since premiums are typically calculated based on estimated health care claims, as health care expenditures increase, premium rates increase. Premiums typically increase faster than health care expenses for many reasons. One reason for higher premium increases is that deductible amounts do not increase therefore all the increases in health care dollars are used to increase premiums, which results in a higher percentage increase. For example, if a policy has a $2,000 deductible and a $5,000 estimated claims cost ($7,000 total health care costs), and health care

costs are expected to increase $700 or 10%, that is added to the estimated claims cost of $5,000 for a 14% increase in claims cost. The charts below show the earned premiums PMPM by carrier for the past 5 years. The large increase in earned premium fir 2018 for Medica is somewhat explained by the silver plan loading for ceased federal funding of CSR amounts. As noted above with regard to allowed costs, average premium rates by carrier are not directly comparable because of inherent differences including demographics and plan mix.

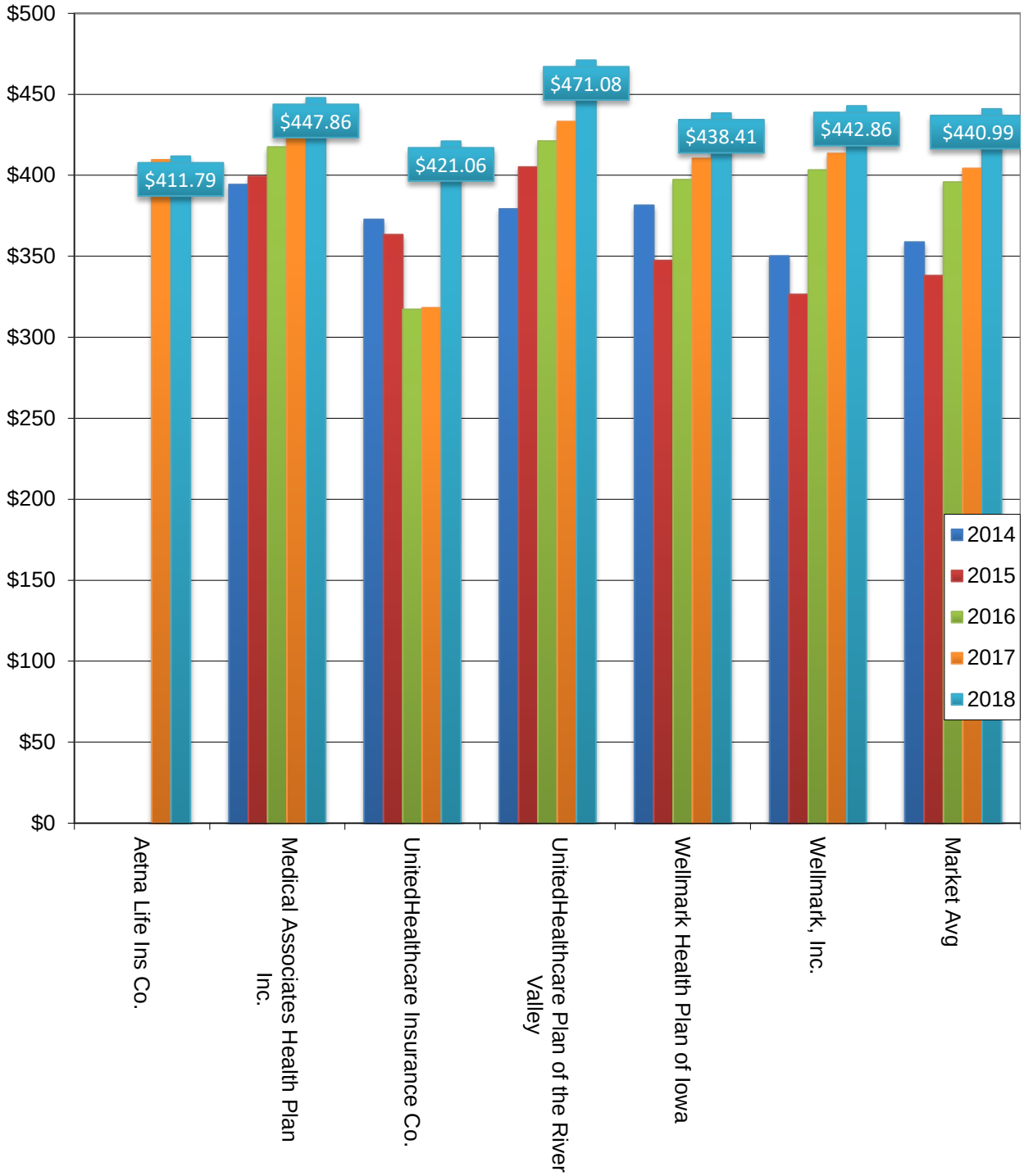
ICCM Earned Premium PMPMs 2014-2018



Small Group Earned Premium PMPMs 2014-2018



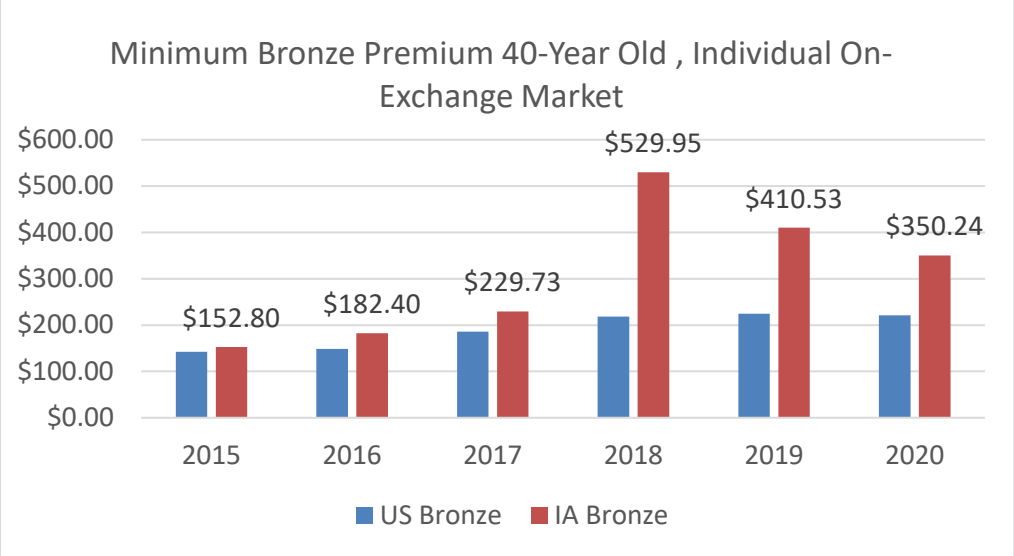
Large Group Earned Premium PMPMs 2014-2018



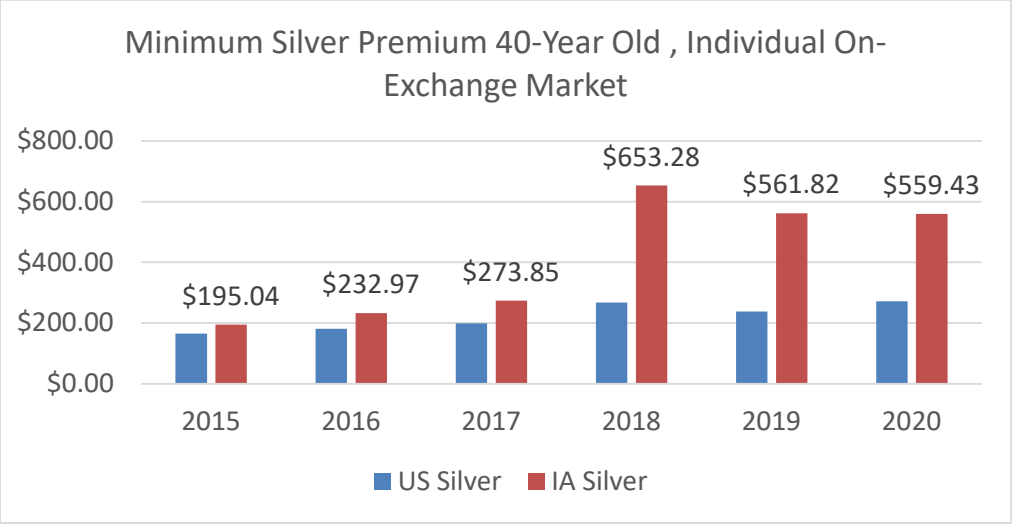
Premium Rates PMPM

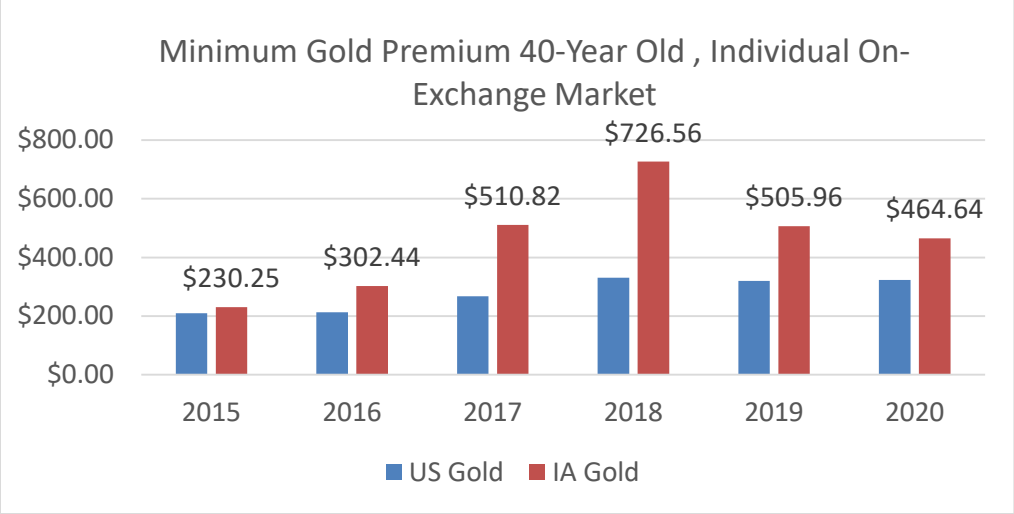
While interesting to review, the earned premiums can be affected by a number of factors, including the distribution of enrolled members and plan designs which makes them less useful for comparisons between years and between carriers. It is more useful to review the actual premium rates charged, which normalizes for factors such as the distribution of members. Therefore, we have included the charts below to compare the average lowest cost on-exchange premiums for a 40-year old by metal tier for Iowa compared to the United States overall beginning with 2015.[31,32,33]

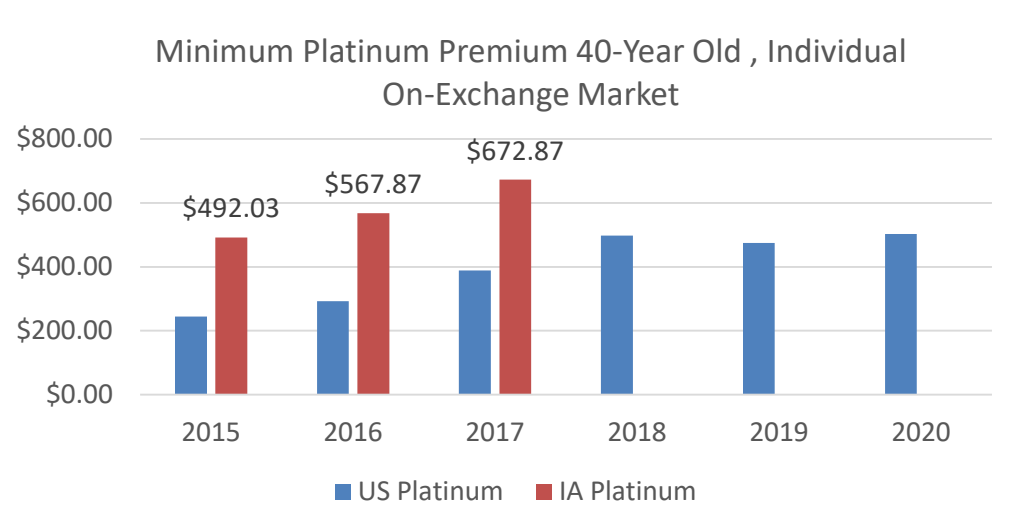
Individual On-Exchange Minimum Premium Rates PMPM, 40-Year Old[34]



[31] Healthcare.gov. www.data.healthcare.gov. Accessed October 27, 2019.
[32] Iowa did not offer any on exchange platinum plans in 2018, 2019 or 2020.
[33] The data labels are only provided for the Iowa data for readability.
[34] No Platinum plans were offered in the Iowa Individual market from 2018-2020.


Minimum Silver Premium 40-Year Old , Individual On-Exchange Market
$800.00
$600.00
$400.00
$200.00
$0.00
$195.04
$232.97
$273.85
$653.28
$561.82
$559.43
2015
2016
2017
2018
2019
2020
US Silver
IA Silver


Minimum Gold Premium 40-Year Old , Individual On-Exchange Market
$800.00
$600.00
$400.00
$200.00
$0.00
$230.25
$302.44
$510.82
$726.56
$505.96
$464.64
2015
2016
2017
2018
2019
2020
US Gold
IA Gold

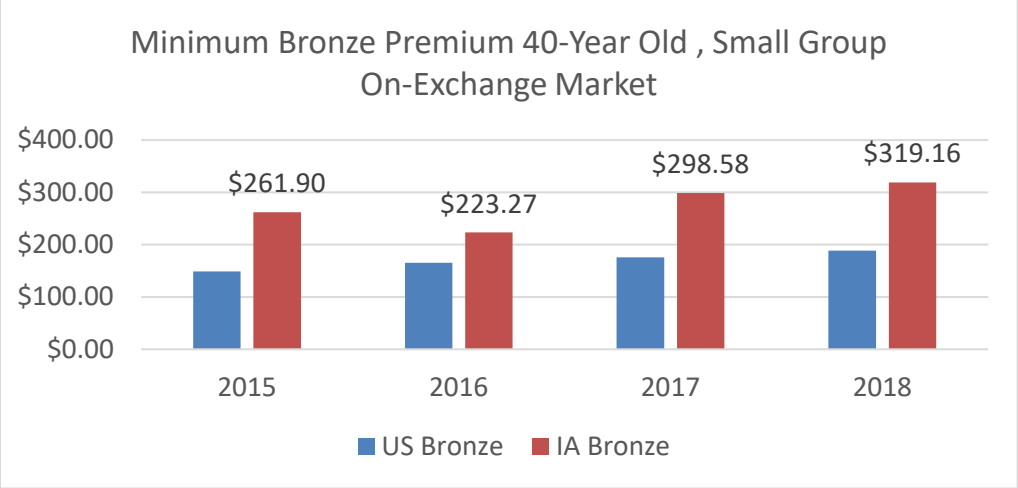

Minimum Platinum Premium 40-Year Old , Individual On-Exchange Market
$800.00
$600.00
$400.00
$200.00
$0.00
$492.03
$567.87
$672.87
2015
2016
2017
2018
2019
2020
US Platinum
IA Platinum

We note Platinum plans have not been offered on-exchange in the individual market since 2017.

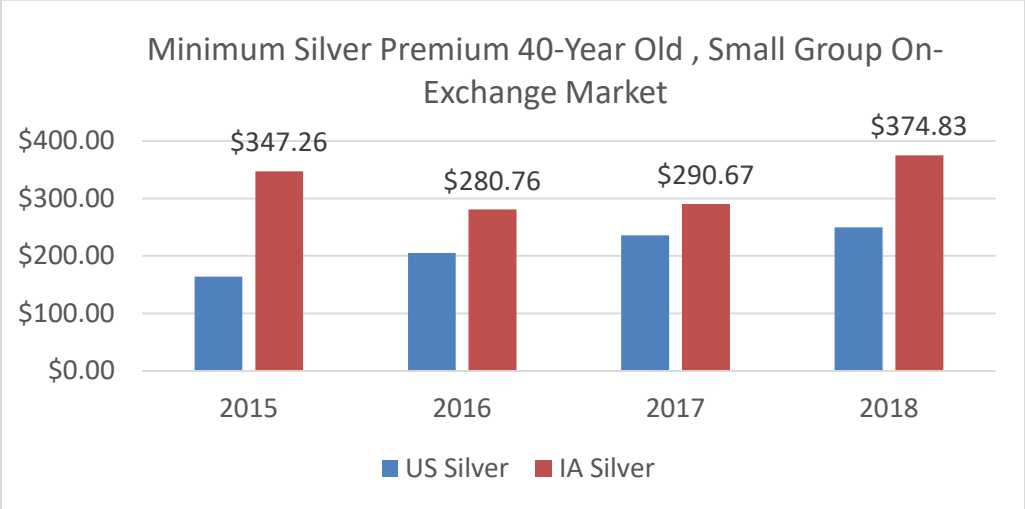
For the Bronze and Silver metal tiers, the Iowa market was in line with the rest of the US up until 2018, where the Iowa premiums became much higher than the rest of the US. The Gold plans became more expensive around the year 2017, and Platinum plans were traditionally much higher cost. The annualized increase also seems to be much higher than the US minimum plans. The table below shows the annualized increase in the 40-year old minimum premiums for on-exchange plans in the individual market from 2015-2020.

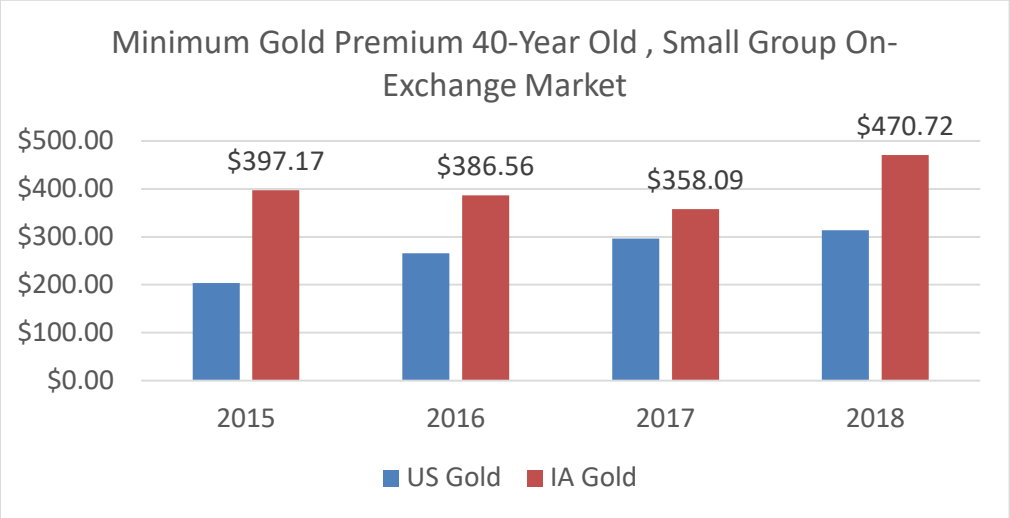
Annualized Minimum Premium Rate 2015-2020, On-Exchange Plan Individual Plan, 40-Year Old		
State	**Metal Level**	**Annualized % Increase**
IA	Bronze	18%
IA	Silver	23%
IA	Gold	15%
IA	Platinum[35]	17%
US	Bronze	9%
US	Silver	10%
US	Gold	9%
US	Platinum	15%

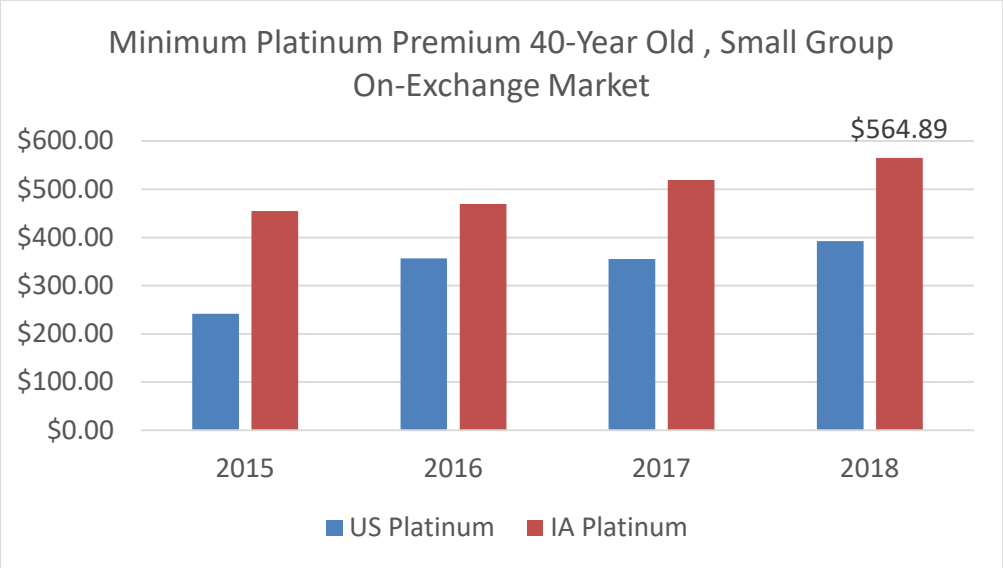
Small Group On-Exchange Minimum Premium Rates PMPM, 40-Year Old[36]



[35] The last Iowa platinum plans were discontinued as of 2018, so this increase shows the annualized increase from 2015-2017.
[36] Healthcare.gov did not show any SHOP information for Iowa for 2019 or 2020.


Minimum Silver Premium 40-Year Old , Small Group On-Exchange Market
$400.00
$300.00
$200.00
$100.00
$0.00
$347.26
$280.76
$290.67
$374.83
2015
2016
2017
2018
US Silver
IA Silver


Minimum Gold Premium 40-Year Old , Small Group On-Exchange Market
$500.00
$400.00
$300.00
$200.00
$100.00
$0.00
$397.17
$386.56
$358.09
$470.72
2015
2016
2017
2018
US Gold
IA Gold


Minimum Platinum Premium 40-Year Old , Small Group On-Exchange Market
$600.00
$500.00
$400.00
$300.00
$200.00
$100.00
$0.00
$564.89
2015
2016
2017
2018
US Platinum
IA Platinum

The minimum premiums in the Iowa small group market have been consistently higher than the rest of the US, although the increases from year to year are more moderate. The table below shows the annualized increase for the small group on-exchange market, from 2015-2018 as it does not appear there are on-exchange small group plans in 2019 or 2020.

Annualized Minimum Premium Rate 2015-2018, On-Exchange Plan Small Group Plan, 40-Year Old

State	Metal Level	Annualized % Increase
IA	Bronze	7%
IA	Silver	3%
IA	Gold	6%
IA	Platinum	8%
US	Bronze	8%
US	Silver	15%
US	Gold	16%
US	Platinum	18%

Drivers of Higher Costs and Cost Reductions

d. A ranking and quantification of those factors that result in higher costs and those factors that result in lower costs for each health insurance plan offered in the state.[37]

Many carriers were not able to break out individual, small group, and large group cost drivers. In previous reports carriers also used varying terminology and aggregation levels to describe the health care categories for the cost drivers and we consolidated the cost drivers for all carriers at total market level to avoid providing an inaccurate picture of a market segment based on limited data. This conversion was a bit problematic due to overlapping terms. For example, one carrier may have used inpatient hospital as a category which may have included surgery costs, and another carrier broke out all surgery costs separately. Also, some issuers may be including change in enrollment and deductible leveraging in with the various service components and not reporting them separately. All of the data provided can be found in ***Appendix D***. ***Appendix H*** shows a mapping of the original categories provided to the categories used below.

Overall, carriers reported $141 million rise in health care costs from the top five increase drivers (up from the $114 million reported in the 2018 data call) and $86 million reduction in the top five decrease drivers (up slightly from the $35 reported in the 2018 data call). The top five

[37] For more information on cost drivers, please see the American Academy of Actuaries annual reports. The 2018 cost drivers are described at https://www.actuary.org/content/drivers-2018-health-insurance-premium-changes.

increase drivers accounted for 84% of the increases, which is consistent with the previous data call. The top five decrease drivers accounted for 73% of the decreases which is down from 81% of the decreases in the prior data call. This seems to show that categories are rising and dropping at a more uniform rate than in past years. Consistent with our prior report, we interpret this to imply that more of the "lessor" drivers are playing a role in the increase in health care costs rather than just the top five.

The top five drivers of health care cost increases reported for 2018 are prescription drug, outpatient hospital, physician, mental health/chemical dependency (MH/CD), and inpatient hospital. The top five services reported to have decreased costs are physician, deductible leveraging, outpatient hospital, surgery, and diagnostic imaging. Services can be on both lists because some aspects of a cost or service are increasing and some are decreasing. Note: a driver can be included as both an increase driver and a decrease driver because of the level of reporting. For instance, the Physician category includes services that are increasing the costs of healthcare and decreasing the cost of healthcare, which causes carriers to report Physician as an increasing and decreasing cost driver, although the decrease outweighs the increase. In all cases of overlap, except for Benefit Changes, Physician and Laboratory/X-ray, the increase outweighed the decrease.

The following is a ranking of the health care services that are driving increases and decreases in health insurance premiums, as reported by carriers in Iowa after consolidation and redefinition.

Increases:

Company Reported Service (Standardized Category)	Increases	% of Total Listed Increases
Prescription Drug	$46,224,450	28%
Outpatient Hospital	$36,879,932	22%
Physician	$20,373,870	12%
MH/CD	$19,115,655	11%
Inpatient Hospital	$17,953,408	11%
Other	$17,375,384	10%
Emergency Room	$6,696,801	4%
Skilled Nursing Facilities	$1,006,633	1%
Preventive	$736,101	0%
Laboratory and X-ray	$441,777	0%
Diagnostic Imaging & Tests	$94,430	0%

Decreases:

Company Reported Service (Standardized Category)	Decreases	% of Total Listed Decreases
Physician	-$24,154,643	21%
Deductible Leveraging	-$21,713,100	18%
Outpatient Hospital	-$20,564,523	18%
Surgery	-$11,879,000	10%
Diagnostic Imaging	-$7,454,000	6%
Population change	-$7,426,406	6%
Inpatient Hospital	-$6,421,449	5%
Laboratory and X-ray	-$5,748,859	5%
Emergency Room	-$3,614,008	3%
Prescription Drug	-$3,474,888	3%
Benefit Changes	-$2,689,513	2%
Radiology	-$871,790	1%
MH/CD	-$473,528	0%
Skilled Nursing Facilities	-$473,167	0%
Diagnostic Imaging & Tests	-$305,837	0%
Other	-$176,804	0%
Ambulance	-$44,328	0%

Increase and Decrease Netted by Service:

Company Reported Service (Standardized Category)	Decreases	Increases	Net Change	% of Total Net Change
Prescription Drug	($3,474,888)	$46,224,450	$42,749,562	87%
MH/CD	($473,528)	$19,115,655	$18,642,127	38%
Other	($176,804)	$17,375,384	$17,198,580	35%
Outpatient Hospital	($20,564,523)	$36,879,932	$16,315,409	33%
Inpatient Hospital	($6,421,449)	$17,953,408	$11,531,959	23%
Emergency Room	($3,614,008)	$6,696,801	$3,082,793	6%
Preventive		$736,101	$736,101	1%
Skilled Nursing Facilities	($473,167)	$1,006,633	$533,466	1%
Ambulance	($44,328)		($44,328)	0%
Diagnostic Imaging & Tests	($305,837)	$94,430	($211,407)	0%
Radiology	($871,790)		($871,790)	-2%
Benefit Changes	($2,689,513)	$0	($2,689,513)	-5%
Physician	($24,154,643)	$20,373,870	($3,780,773)	-8%
Laboratory and X-ray	($5,748,859)	$441,777	($5,307,082)	-11%
Population change	($7,426,406)		($7,426,406)	-15%
Diagnostic Imaging	($7,454,000)		($7,454,000)	-15%
Surgery	($11,879,000)		($11,879,000)	-24%
Deductible Leveraging	($21,713,100)		($21,713,100)	-44%
Net Listed Changes	($117,485,842)	$166,898,439	$49,412,597	100%

Reserves, Capital and Surplus, Risk-based Capital

e. The current capital and surplus and reserve amounts held in reserve by each health insurance carrier licensed to do business in the state.

Reserves

Reserves represent liabilities that are set aside to pay claims that have been incurred but have not been paid as of the financial statement date. Reserves vary significantly by the size of the carrier. Carriers are required to hold sufficient reserves to pay for claims (and related administrative expenses) that have not been paid and for the possibility that in the future claims will be higher than premiums. It is important for policyholder safety that these reserves are set aside to ensure that claims can be paid. If sufficient reserves are not set aside in the form of liabilities, there is a danger that the carrier will not be able to pay claims. Carriers are required to provide an actuarial opinion with their statutory annual financial statement from an actuary with experience in the type of insurance sold by the carrier verifying that reserves will be adequate to pay claims. Therefore, the level of reserves held represent the level of claims that the carrier is liable for and has not paid as of the financial statement date.

The following table shows the 2018 reserves held by each carrier for all lines of business:

Company	2018 Reserves
Aetna Life Ins. Co.	$6,725,378,064
Golden Rule Ins. Co.	$195,464,784
Medica Ins. Co.	$474,642,110
Medical Assoc. Health Plan, Inc.	$10,127,687
UnitedHealthcare Ins. Co.	$7,038,612,374
UnitedHealthcare Plan of the River Valley	$678,768,812
Wellmark Health Plan of IA, Inc.	$48,748,457
Wellmark, Inc.	$425,779,186

Capital and Surplus

Capital and surplus represents the financial resources available to a company that protect it from insolvency in years where it experiences adverse financial situations such as underwriting losses or loss in the value of its assets. The total value of the risks increases by the size of the company, since losses are experienced as a percentage of premiums or a percentage of assets so as a company has higher premium volume or more assets the total amount of risk is larger.

When capital and surplus rise above the level needed for solvency protection, a company can use it for other purposes such as capital investments to continue to operate efficiently, expand operations, stockholder dividends (for-profit organizations), policyholder dividends (mutual insurance companies), or as additional protection against adverse situations.

Capital and surplus by company for 2018 is displayed below:

Company	2018 Capital and Surplus
Aetna Life Ins. Co.	$3,634,383,334
Golden Rule Ins. Co.	$238,771,441
Medica Ins. Co.	$695,236,010
Medical Assoc. Health Plan, Inc.	$21,213,280
UnitedHealthcare Ins. Co.	$8,125,231,949
UnitedHealthcare Plan of the River Valley	$462,998,137
Wellmark Health Plan of IA, Inc.	$191,150,033
Wellmark, Inc.	$1,567,303,983

Risk-based Capital

A complete set of data can be found in ***Appendix E.***

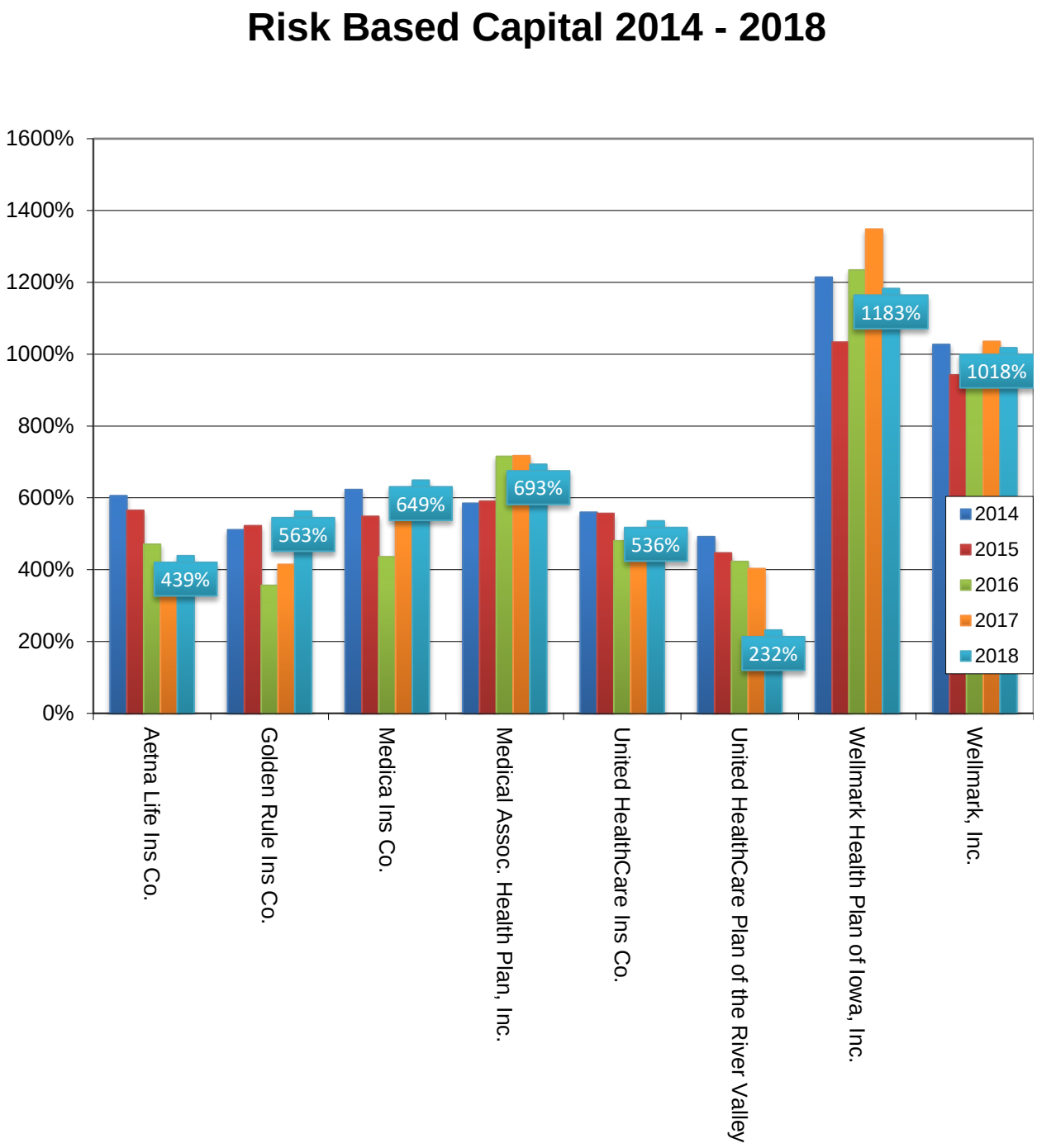
We have included not only the capital and surplus, but also the risk-based capital (RBC). RBC is a measure developed by the National Association of Insurance Commissioners (NAIC) and measures a company's capital compared to some of its risk as measured by the NAIC Health RBC formula.

The 2018 RBC for the companies in this report varied from 232% to 1183%. In 2017 the companies that reported varied from 403% to 1348%.

The following table shows the RBC percentages for 2018:

Company	2018 RBC
Aetna Life Ins. Co.	439%
Golden Rule Ins. Co.	563%
Medica Ins. Co.	649%
Medical Assoc. Health Plan, Inc.	693%
UnitedHealthcare Ins. Co.	536%
UnitedHealthcare Plan of the River Valley	232%
Wellmark Health Plan of IA, Inc.	1183%
Wellmark, Inc.	1018%

RBC by company for the last five years is displayed below:[38]



[38] While we do not have data call information for Aetna Life Insurance Company, we do have access to company financials for the past five years and it is included in this analysis.

Generally, falling RBC is an indication of losses in a company and rising RBC is an indication of profits in a company if the premium volume is relatively stable.

Medical Trends

f. A listing of any apparent medical trends affecting health insurance costs in the state.

A complete list of carrier trends is included in ***Appendix F***.

The answer to item d. above, drivers of higher costs and cost reductions, provides a more thorough response to this question, but carriers listed Prescription Drug ($46,224,450) (an increase), as the top driver of healthcare cost overall. The next four largest magnitude drivers are Outpatient Hospital ($36,879,932 - an increase), Physician ($24,154,643 – a decrease), Deductible Leveraging ($21,713,100 – a decrease), and Outpatient Hospital ($20,564,523 – a decrease). In all cases of overlap except Physician and Laboratory/X-ray, the increasing aspects were higher than the decreasing aspects.

We standardized the answers provided by carriers. We tallied how many carriers identified each category as affecting the decrease or the increase of health insurance costs. The most commonly listed trends affecting health insurance costs include:

	# of Companies	
Company Reported Service (Standardized Category)	**Decrease**	**Increase**
Ambulance	3	
Benefit Changes	1	1
Deductible Leveraging	1	
Diagnostic Imaging	1	
Diagnostic Imaging & Tests	3	1
Emergency Room	2	5
Inpatient Hospital	4	6
Laboratory and X-ray	6	3
MH/CD	1	4
Other	2	4
Outpatient Hospital	5	6
Physician	3	7
Population change	2	
Prescription Drug	2	7
Preventive		3
Radiology	2	
Skilled Nursing Facilities	3	3
Surgery	1	

Additional Data – Risk Adjustment and PMPM Costs

g. Any additional data or analysis deemed appropriate by the Commissioner to provide the general assembly with pertinent health insurance cost information.

A complete set of PMPM incurred cost, allowed cost, and non-benefit cost data can be found in ***Appendix G.***

Risk Adjustment

The reinsurance and risk adjustment programs were started by the ACA to stabilize the individual and small group markets during the implementation of the ACA. The reinsurance program was a temporary program that was funded by all health insurers and reimbursed health insurers in the individual market for large claims. However, it ended in 2016 and therefore is not included in this report. The risk adjustment program is a permanent program intended to prohibit risk selection by insurers by transferring funds from plans with low-cost enrollees to plans with high-cost enrollees for the individual and small group market. Every year, CMS produces a report which details the payments that were made.

We have summarized the information below on a PMPM and a total basis.

ICMM Risk Adjustment[39]	**2014**	**2015**	**2016**	**2017**	**2018**
Total Dollar ($) Amounts					
Medica Ins Co.	-	-	-$59,529	$1,677,488	$0
Wellmark Health Plan of Iowa, Inc.	-$2,547,980	-$4,391,486	-$5,781,185	$799,925	-
Wellmark, Inc.	$4,605,848	$16,573,829	$18,333,353	$10,322,659	-
Per Member Per Month (PMPM) Amounts					
Medica Ins Co.	-	-	-$4	$11	$0
Wellmark Health Plan of Iowa, Inc.	-$6	-$10	-$61	$9	-
Wellmark, Inc.	$5	$21	$28	$23	-

Because Medica Insurance Company was the only carrier in the Iowa individual ACA market in 2018, there are no risk transfer payments in 2018. However, Medica Insurance Company did receive $754,232 from the Risk Adjustment High-Cost Risk Pool program which began in plan year 2018 and reimburses insurers for 60% of an enrollee's incurred claims costs greater than $1 million.

[39] Golden Rule is not included in the table above as they only have grandfathered individual business, which is not subject to risk adjustment.

Small Group Risk Adj	2014	2015	2016	2017	2018
Total Dollar ($) Amounts					
Medical Assoc. Health Plan, Inc.	-$285,469	$370,974	$197,923	$237,746	$380,332
United HealthCare Ins Co.	$111,696	-$608,398	-$1,265,066	-$1,173,005	-$2,932,114
United HealthCare Plan of the RV	-$54,443	$855,195	$697,193	$414,994	-$530,684
Wellmark Health Plan of Iowa, Inc.	$501,033	-$1,170,300	-$3,821,569	-$874,644	-$7,296,764
Wellmark, Inc.	$3,535,404	$3,724,625	$4,987,083	$3,386,560	$11,693,683
Per Member Per Month (PMPM) Amounts					
Medical Assoc. Health Plan, Inc.	-$10	$13	$8	$10	$16
United HealthCare Ins Co.	$1	-$5	-$13	-$11	-$18
United HealthCare Plan of the RV	$0	$6	$6	$4	-$4
Wellmark Health Plan of Iowa, Inc.	$2	-$5	-$12	-$3	-$18
Wellmark, Inc.	$3	$3	$4	$3	$9

There were no reimbursements from the Risk Adjustment High-Cost Risk Pool in the small group market in 2018.

Incurred Claims PMPM

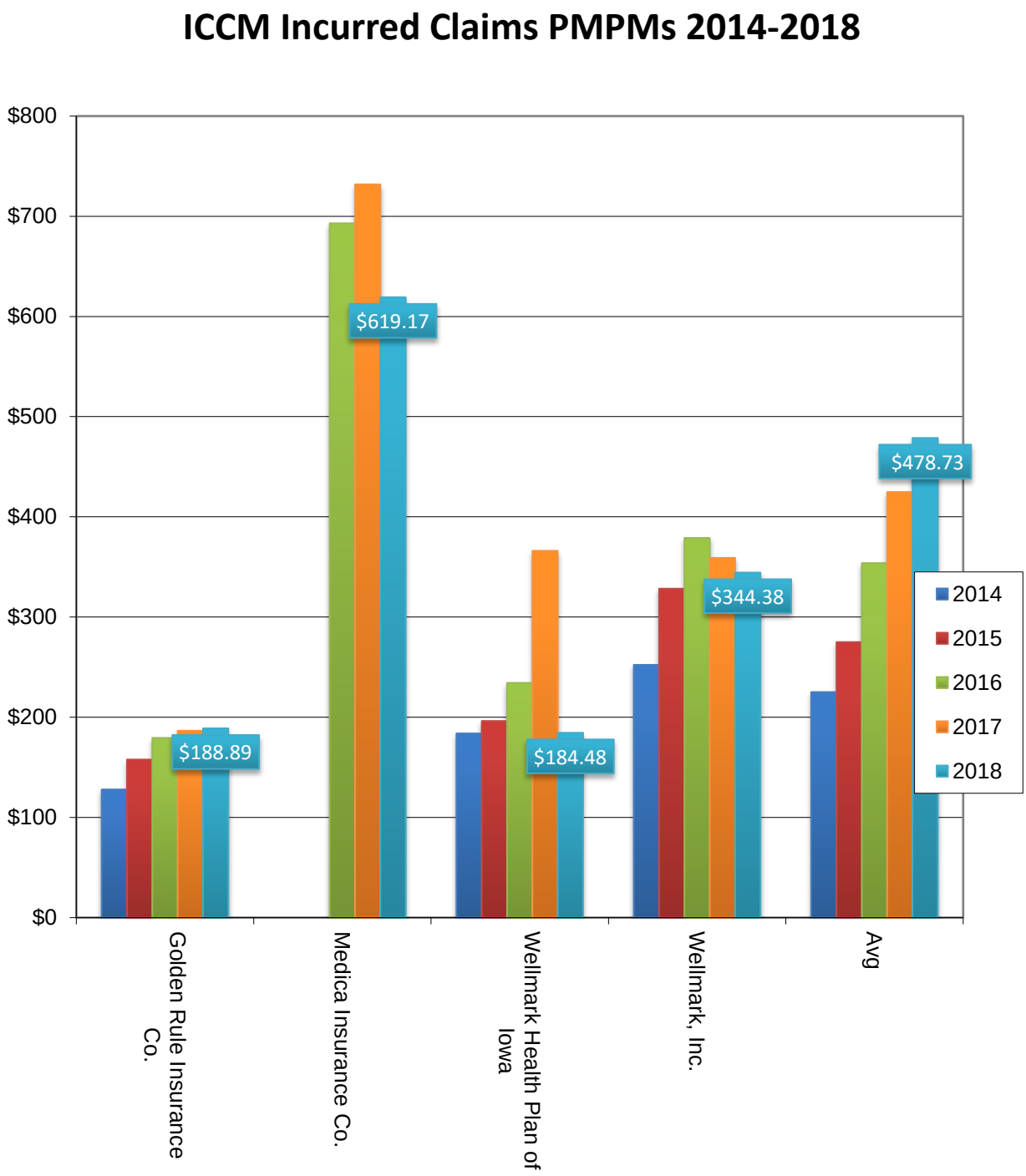
Information was requested from carriers of per-member-per-month (PMPM) health care cost by market segment. This is similar to the allowed claims PMPM presented earlier, but also considers the impact of cost sharing. Many factors affect the incurred PMPM costs such as wide variation on benefit design, reduced comparability. That said, incurred PMPM costs do provide some insight into affordability of health insurance in Iowa, because higher incurred PMPM health care costs result in higher health insurance premiums.

The individual market weighted average incurred PMPM claim cost went from $225.12 in 2014 to $478.73 in 2018 (Overall increase of 113% or 21% annualized increase) for the companies included in the survey that continue to offer coverage. The 1-year increase in average incurred PMPM claim costs is 13%.

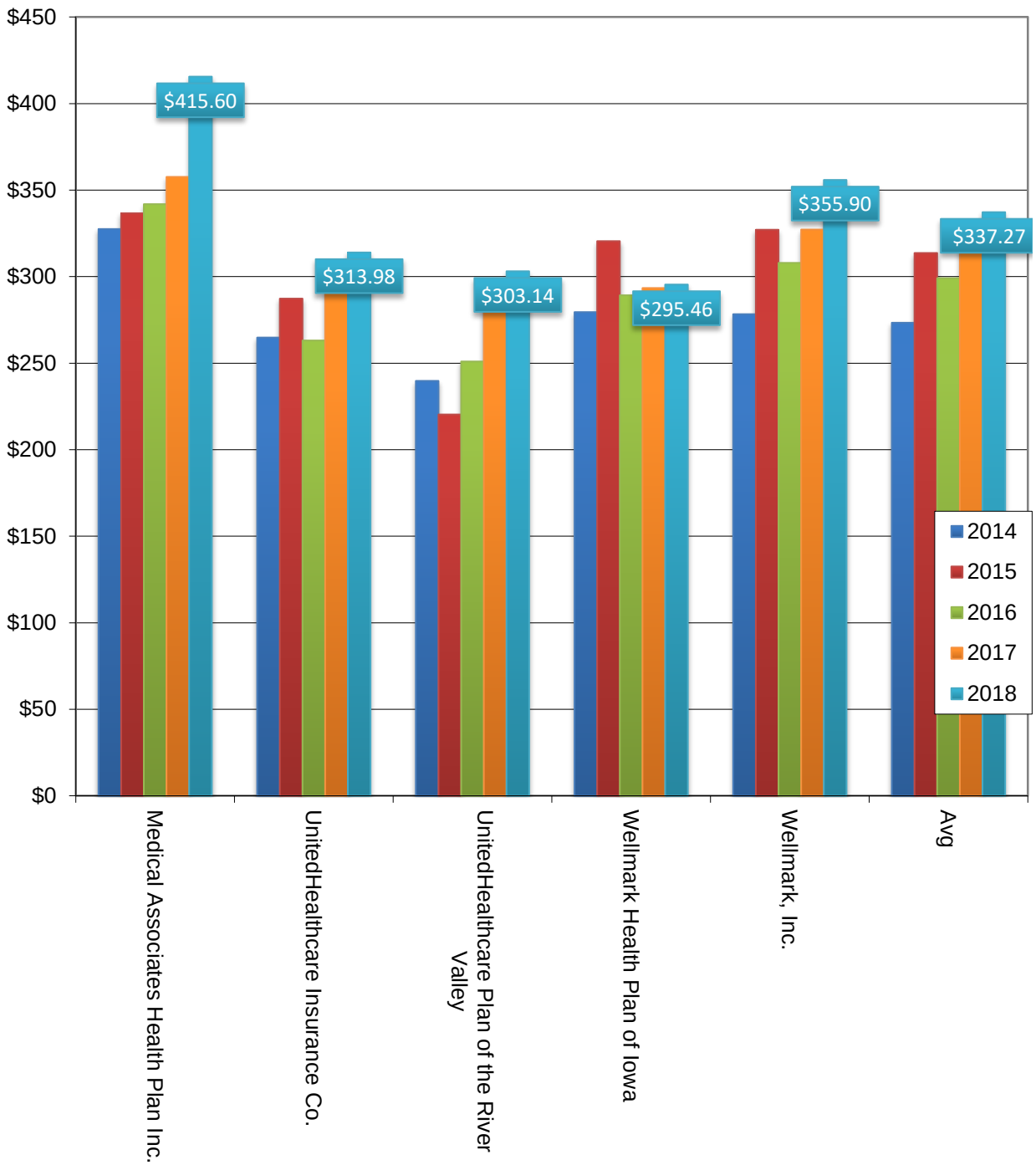
The small group market weighted average incurred PMPM claim cost went from $273.38 in 2014 to $337.27 in 2018 (Overall increase of 23% or 5% annualized increase) for the companies included in the survey that continue to offer coverage. The 1-year increase in average incurred PMPM claim costs is 6%.

The large group market weighted average incurred PMPM claim cost went from $308.16 in 2014 to $373.57 in 2018 (Overall increase of 21% or 5% annualized increase) for the companies included in the survey that continue to offer coverage. The 1-year increase in average incurred PMPM claim costs is 8%.

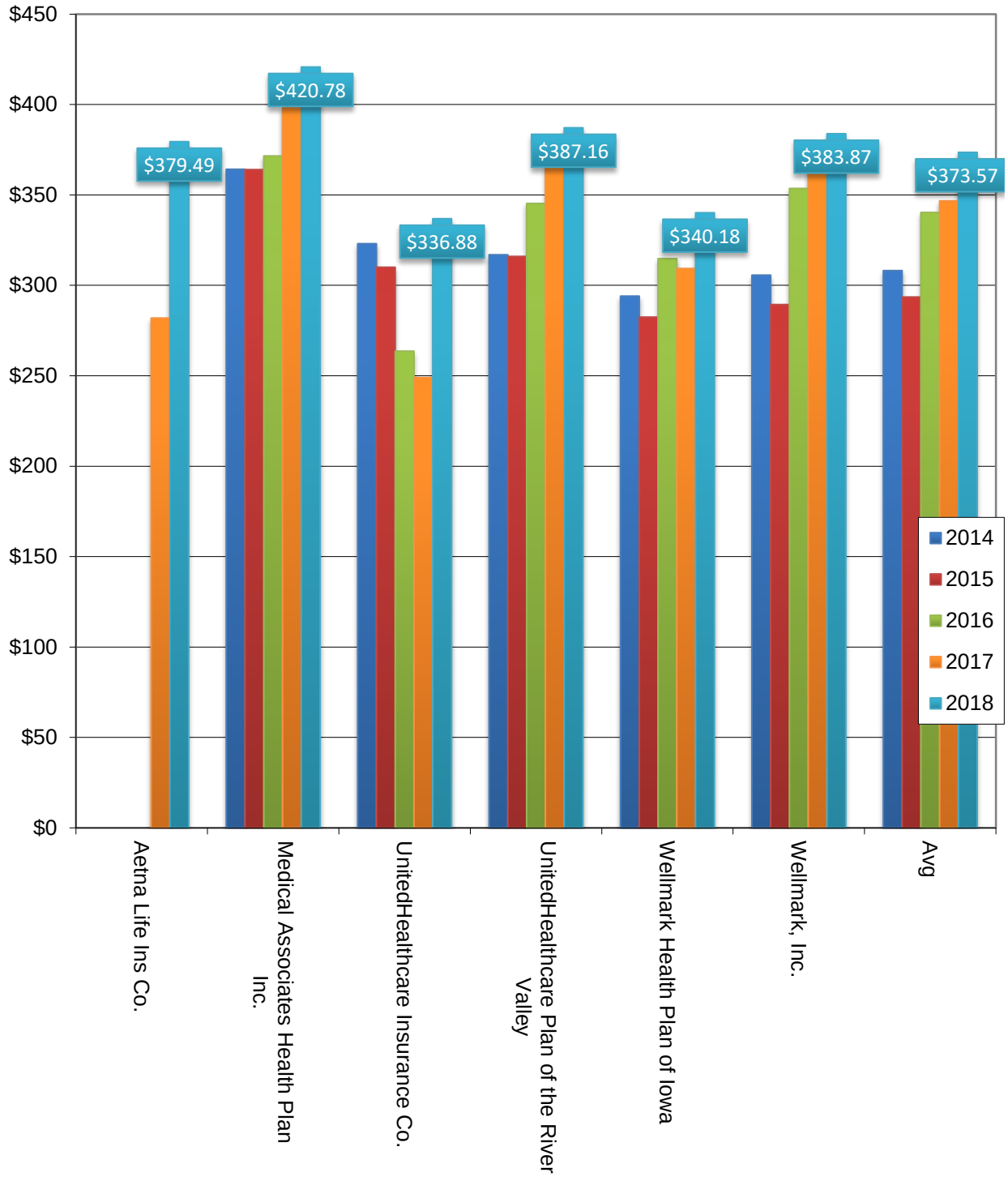
The charts below show the changes in incurred PMPM claims cost for the past 5 years. Note, only 2018 dollar values are shown for readability.[40]



Small Group Incurred Claims PMPMs 2014-2018



Large Group Incurred Claims PMPMs 2014-2018



Reliance and Qualifications

I, Donna Novak FCA, ASA, MAAA, am the president and CEO of NovaRest Inc. I am a member of the American Academy of Actuaries and meet that body's Qualification Standards to render this report. We are providing this letter to the Iowa Insurance Division. Distribution of this letter to parties other than the Division by us or any other party does not constitute advice from or by us to those parties. This report should only be used in its entirety and not out of context. The reliance of parties other than the Division on any aspect of our work is not authorized by us and is done at their own risk. The actuarial methodologies utilized in order to arrive at our opinion were those which were considered generally accepted within the industry.

I have no conflict of interest in performing this review and providing this report. NovaRest's relationship with the Division is restricted to reviewing ACA rate filings and providing this report. NovaRest is completely independent of the Division and any of its officers and key personnel. Neither NovaRest nor anyone else closely associated with NovaRest has any relationship with them that would impair our independence, other than this assignment.

To arrive at our opinion, as presented above, we made use of information provided by each company as a data survey, NAIC financial statements, and public sources without independent investigation or verification. If this information was in any way inaccurate, incomplete, or out of date, the findings and conclusions in this report may require revision. While we have relied on the data without independent investigation or verification, we have reviewed the information for consistency and reasonableness. Where we found the data to be inconsistent or unreasonable we have requested clarification.

Sincerely,

Donna C. Novak

Donna Novak ASA, FCA, MAAA, MBA
President and CEO

Appendix A: Member Months[41]

ICMM Member Months					
Company	**2014**	**2015**	**2016**	**2017**	**2018**
Golden Rule Insurance Co.	98,753	74,240	59,905	50,839	42,690
Medica Insurance Co.			15,036	153,293	491,042
Wellmark Health Plan of Iowa, Inc.	392,731	429,536	94,769	86,681	15,119
Wellmark, Inc.	949,938	797,469	665,040	454,616	388,117

Small Group Member Months					
Company	**2014**	**2015**	**2016**	**2017**	**2018**
Medical Associates Health Plan, Inc.	27,522	27,782	24,406	22,698	24,271
UnitedHealthcare Insurance Co.	126,976	110,755	98,811	107,474	166,510
UnitedHealthcare Plan of the River Valley	207,027	150,528	125,488	115,020	121,146
Wellmark Health Plan of Iowa, Inc.	249,362	246,715	311,797	347,404	406,308
Wellmark, Inc.	1,015,623	1,090,463	1,321,494	1,323,325	1,240,219

Large Group Member Months					
Company	**2014**	**2015**	**2016**	**2017**	**2018**
Aetna Life Ins. Co.				22,888	64,493
Medical Associates Health Plan, Inc.	133,705	114,687	116,718	115,914	111,464
UnitedHealthcare Insurance Co.	219,505	295,241	355,275	407,630	304,466
UnitedHealthcare Plan of the River Valley	308,734	250,070	212,432	177,639	153,332
Wellmark Health Plan of Iowa, Inc.	451,135	500,539	464,967	533,076	563,518
Wellmark, Inc.	2,852,800	3,097,130	2,589,554	2,481,494	2,160,721

[41] Aetna Life Insurance Company was not involved in data calls prior to 2018. Medica entered the market in 2016.

Appendix B: Loss Ratios[42]

ICMM Loss Ratios					
Company	**2014**	**2015**	**2016**	**2017**	**2018**
Golden Rule Insurance Co.	70%	79%	84%	84%	70%
Medica Insurance Co.			128%	113%	62%
Wellmark Health Plan of Iowa, Inc.	89%	93%	91%	74%	80%
Wellmark, Inc.	91%	100%	96%	83%	90%

Small Group Loss Ratios					
Company	**2014**	**2015**	**2016**	**2017**	**2018**
Medical Associates Health Plan, Inc.	90%	94%	88%	89%	91%
UnitedHealthcare Insurance Co.	74%	75%	70%	73%	75%
UnitedHealthcare Plan of the River Valley	74%	63%	69%	75%	75%
Wellmark Health Plan of Iowa, Inc.	78%	84%	84%	83%	71%
Wellmark, Inc.	83%	84%	84%	82%	80%

Large Group Loss Ratios					
Company	**2014**	**2015**	**2016**	**2017**	**2018**
Aetna Life Ins. Co.				69%	92%
Medical Associates Health Plan, Inc.	92%	91%	89%	91%	94%
UnitedHealthcare Insurance Co.	87%	85%	83%	78%	80%
UnitedHealthcare Plan of the River Valley	84%	78%	82%	85%	82%
Wellmark Health Plan of Iowa, Inc.	77%	81%	79%	75%	78%
Wellmark, Inc.	87%	89%	88%	89%	87%

[42] Aetna Life Insurance Company was not involved in data calls prior to 2018. Medica entered the market in 2016.

Appendix C: Rate Increases[43]

ICMM Rate Increases					
Company	**2014**	**2015**	**2016**	**2017**	**2018**
Golden Rule Insurance Co.	1%	7%	5%	0%	22%
Medica Insurance Co.				19%	57%
Wellmark Health Plan of Iowa, Inc.	4%	6%	29%	39%	0%
Wellmark, Inc.	5%	7%	19%	13%	11%

Small Group Rate Increases					
Company	**2014**	**2015**	**2016**	**2017**	**2018**
Medical Associates Health Plan, Inc.	0%	2%	2%	4%	14%
UnitedHealthcare Insurance Co.	3%	3%	3%	6%	2%
UnitedHealthcare Plan of the River Valley	3%	6%	6%	2%	6%
Wellmark Health Plan of Iowa, Inc.	1%	1%	11%	10%	13%
Wellmark, Inc.	7%	9%	9%	10%	10%

Large Group Rate Increases					
Company	**2014**	**2015**	**2016**	**2017**	**2018**
Aetna Life Ins. Co.				-2%	1%
Medical Associates Health Plan, Inc.	2%	2%	6%	4%	3%
UnitedHealthcare Insurance Co.	7%	-1%	4%	7%	6%
UnitedHealthcare Plan of the River Valley	5%	10%	3%	2%	7%
Wellmark Health Plan of Iowa, Inc.	6%	6%	8%	4%	11%
Wellmark, Inc.	6%	6%	8%	4%	11%

[43] Aetna Life Insurance Company was not involved in data calls prior to 2018. Medica entered the market in 2016.

Appendix D: Ranking of Changes

Increases

Aetna Life Ins Co.		
1	Other	$1,552,994
2	Other	$388,533
3	Inpatient Hospital	$384,805
4	Outpatient Hospital	$272,950
5	Other	$271,146
6	Other	$254,046
7	Inpatient Hospital	$251,584
8	Inpatient Hospital	$236,272
9	Inpatient Hospital	$227,269
10	Inpatient Hospital	$193,464

Golden Rule Insurance Co.[44]		
1	Other	$10.99
2	Physician	$3.07
3	Prescription Drug	$3.05
4	X-Ray	$1.29
5	Emergency Room	$1.25
6	Preventive	$0.65
7	MH/CD	$0.54
8	Skilled Nursing Facilities	$0.24

Medica Insurance Co.		
1	Prescription Drug	$3,141,000
2	Prescription Drug	$1,095,000
3	Skilled Nursing Facility	$857,000
4	MH/CD	$719,000
5	Laboratory	$269,000
6	Emergency Room	$149,000
7	Physician	$100,000
8	Physician	$16,000
9	Physician	$5,000
10	Benefit Changes	$0

[44] Golden Rule provided PMPM amounts instead of total.

Medical Associates Health Plan Inc.		
1	Inpatient Hospital	$2,543,348
2	Prescription Drug	$1,787,702
3	Outpatient Hospital	$1,253,381
4	Other - Dialysis	$421,892
5	Other - Outpatient Rx	$324,222
6	Physician	$289,739
7	Preventive	$260,492
8	Emergency Room	$166,439
9	Laboratory	$117,707
10	Diagnostic Imaging	$94,430

United Healthcare Insurance Co.		
1	Outpatient Surgery	$5,195,150
2	Med/Surg/ICU	$2,665,828
3	Physician Visits	$2,000,156
4	Phy Administered Drugs - non-Chemo	$957,433
5	Rx - Facility Dispensed	$932,761
6	Phy Administered Drugs - Chemo	$911,894
7	OP Surgery	$698,416
8	Transplants	$571,840
9	NICU/Extended Stay	$493,458
10	Immunizations	$447,860

United Healthcare Plan of the River Valley, Inc.		
1	Rx - Facility Dispensed	$1,649,477
2	NICU/Extended Stay	$1,493,071
3	Phy Administered Drugs - Chemo	$857,163
4	Misc Outpatient	$561,297
5	Transplants	$473,967
6	Dialysis	$198,917
7	Home Health	$163,690
8	Observation	$160,249
9	Rx - Pharmacy Dispensed	$118,948
10	Maternity/Newborn	$115,372

Wellmark Health Plan of Iowa		
1	Prescription Drug	$8,777,997
2	Outpatient Hospital	$4,183,298
3	Other	$2,345,232
4	Physician	$2,161,866
5	MH/CD	$2,123,960
6	Inpatient Hospital	$1,888,075
7	Emergency Room	$872,450

Wellmark, Inc.		
1	Prescription Drug	$28,267,139
2	Outpatient Hospital	$23,770,693
3	MH/CD	$16,249,642
4	Physician	$12,943,560
5	Other	$12,094,271
6	Inpatient Hospital	$6,415,053
7	Emergency Room	$5,455,550
8	Skilled Nursing Facilities	$139,387

Decreases

Aetna Life Ins Co.		
1	Outpatient Hospital	-$325,972
2	Outpatient Hospital	-$167,572
3	Inpatient Hospital	-$131,112
4	Physician	-$122,866
5	Outpatient Hospital	-$118,929
6	Outpatient Hospital	-$117,098
7	Other	-$109,453
8	Inpatient Hospital	-$101,171
9	Inpatient Hospital	-$92,835
10	Physician	-$81,845

Golden Rule Insurance Co. [45]		
1	Inpatient Hospital	-$15.73
2	Outpatient Hospital	-$2.04
3	Diagnostic Imaging	-$0.45
4	Laboratory	-$0.20
5	Ambulance	-$0.10

Medica Insurance Co.		
1	Prescription Drug	-$23,531,000
2	Deductible Leveraging	-$21,713,100
3	Outpatient Hospital	-$18,709,000
4	Inpatient Hospital	-$11,879,000
5	Diagnostic Imaging	-$7,454,000
6	Population Change	-$6,248,707
7	Inpatient Hospital	-$4,683,000
8	Laboratory	-$3,825,000
9	Prescription Drug	-$3,455,000
10	Emergency Room	-$3,012,000

Medical Associates Health Plan Inc		
1	Population Change	-$1,177,699
2	Benefit Change	-$2,689,513

[45] Golden Rule provided PMPM amounts instead of total.

United Healthcare Insurance Co.		
1	Radiology Therapy	-$267,105
2	Skilled Nursing	-$125,168
3	Dialysis	-$61,742
4	Lab & Path Services	-$54,579
5	Hospice	-$37,642
6	Freestanding Clinical Lab	-$36,832
7	Hospice	-$21,865
8	HCPCS - Non Spec Pharma	-$19,888
9	Pulmonary	-$7,844
10	Venipuncture	-$7,359

United Healthcare Plan of the River Valley, Inc.		
1	Outpatient Surgery	-$969,763
2	Med/Surg/ICU	-$741,816
3	Emergency Room - Hospital Based	-$602,008
4	Rehabilitation	-$473,528
5	Radiology Therapy	-$349,707
6	Skilled Nursing	-$322,880
7	Lab & Path	-$321,871
8	Radiology Diagnostic	-$254,978
9	Phy Administered Drugs - non-Chemo	-$216,357
10	Physician Visits	-$202,575

Wellmark Health Plan of Iowa		
1	Laboratory	-$516,604
2	Diagnostic Imaging	-$244,487
3	Skilled Nursing Facilities	-$25,119
4	Ambulance	-$10,885

Wellmark, Inc.		
1	Laboratory	-$985,435
2	Diagnostic Imaging	-$42,140
3	Ambulance	-$29,174

Appendix E: Risk-Based Capital

Company	2014	2015	2016	2017	2018
Aetna Life Ins. Co.	606%	565%	471%	408%	439%
Golden Rule Ins Co.	511%	522%	356%	415%	563%
Medica Insurance Co.	623%	548%	436%	597%	649%
Medical Associates Health Plan, Inc.	585%	591%	715%	717%	693%
UnitedHealthcare Insurance Co.	560%	557%	480%	472%	536%
UnitedHealthcare Plan of the River Valley	492%	447%	423%	403%	232%
Wellmark Health Plan of Iowa, Inc.	1214%	1034%	1234%	1348%	1183%
Wellmark, Inc.	1027%	942%	936%	1036%	1018%

Appendix F: Medical Trends

Below are the medical trends from 2014 to 2018.

We have included the categories from the 2018 report for comparison purposes. Only the carriers providing data are included.

Aetna Life Ins Co.		
Service Category	**2017***	**2018***
IP	-13%	15%
OP	10%	2%
PHY	-1%	3%
Rx	3%	33%
Other	35%	46%

* Aetna Life was not surveyed for prior years.

Golden Rule Insurance Co.		
Service Category	**2017**	**2018**
Unit Cost	4%	3%
Utilization	3%	4%
Leveraging	1%	2%
Underwriting Wear-off	0%	0%

* Trend in earlier years was determined to be non-credible by the company an information was not provided.

Medical Associates Health Plan*			
Service Category	**2016**	**2017**	**2018**
Inpatient Facility	-15%	19%	17%
Outpatient Facility	4%	6%	3%
Pharmacy	6%	7%	8%
Physician	3%	3%	2%

*Trends for 2014-2015 were provided in a different format which was harder to compare year over year.

Medica Insurance Co.		
Service Category	**2017***	**2018***
IP Medical	20%	
IP Mental Health		34%
IP Newborn	3%	
IP Surgical	26%	
OP Cardiovascular	46%	
OP Pathology/Lab	16%	
OP Pharmacy	40%	
OP Preventive	5%	
OP Radiology	5%	
OP Therapy	16%	
PROF ADDL Benefits		27%
PROF Ambulance	23%	
PROF Cardiovascular	27%	
PROF Emergency Room	13%	7%
PROF Home Health	30%	
PROF IP Visits	14%	4%
PROF Office Admin Rx	364%	
PROF Office Surgery	5%	
PROF Pathology/Lab		6%
PROF PT/OT/ST	12%	
PROF Urgent Care		5%
Non-Specialty Brand Rx		23%
Non-Specialty Generic Rx		10%

* Medica does not have trend data in Iowa for earlier years, as they entered the market in 2016.

UnitedHealthcare Insurance Co.					
Service Category	**2014**	**2015**	**2016**	**2017**	**2018**
Inpatient - 01 _ Diseases & Disorders of the Nervous System	44%				
Inpatient - 04 _ Diseases & Disorders of the Respiratory System	65%				
Inpatient - 15 _ Newborns & Other Neonates with Conditions Originating in Perinatal Per	71%				
Inpatient - Maternity/Newborn		13%			
Inpatient - NICU/Extended Stay		17%	222%		
Inpatient - Rehabilitation				430%	
Inpatient - Transplants					46%
Outpatient - Ambulance		25%			
Outpatient - Dialysis		43%		47%	
Outpatient - DME			66%		
Outpatient - Emergency Room	13%	13%	31%		
Outpatient - Freestanding Clinical Lab		28%			
Outpatient - Misc OP Facility	27%				
Outpatient - Observation		14%			
Outpatient - Rx Facility Dispensed				25%	9%
Outpatient - Surgery					11%
Pharmacy - Hepatitis C	501%				
Pharmacy - Hormones	22%				
Physician - Administered Drugs - Chemo				27%	29%
Physician - Administered Drugs - Non Chemo					28%
Physician - Deliveries			47%		
Physician - ER Visits		32%			
Physician - Hematology and Oncology	23%				
Physician - Immunizations		19%			
Physician - IP Visits		15%			
Physician - Office Surgery			20%		
Physician - Professional Drugs			102%		
Physician - Radiology Diagnostic				10%	
Physician - Therapeutic Radiology	43%				
Physician - Visits				4%	4%

UnitedHealthcare Plan of the River Valley					
Service Category	**2014**	**2015**	**2016**	**2017**	**2018**
Inpatient - Maternity/Newborn				15%	
Inpatient - Med/Surg/ICU	12%		8%		
Inpatient - NICU/Extended Stay	81%				173%
Inpatient - Observation					25%
Inpatient - Transplants					249%
Inpatient - Visits	27%				
Outpatient - Ambulance		36%			
Outpatient - Emergency Room	10%	16%			
Outpatient - Lab & Path - Facility Based			14%		
Outpatient - Misc					43%
Outpatient - Outpatient Surgery			12%	7%	
Outpatient - Rx - Facility Dispensed		28%			73%
Physician - Administered Drugs Chemo					114%
Physician - Inpatient Surgery			16%		
Physician - Outpatient Surgery			14%		
Physician - Visits				11%	3%
Pharmacy - Non Spec	74%	19%			
Pharmacy - Spec Pharma non-Chemo		39%	26%	118%	
Pharmacy - Pharmacy Dispensed	103%				
Radiology - Diagnostic				34%	
Radiology - Diagnostic				35%	
Radiology - Therapy		86%			

Wellmark Health Plan of Iowa					
Service Category	**2014**	**2015**	**2016**	**2017**	**2018**
Acute Inpatient Facility	-2%	8%			
Drug	10%	10%			
Home Health				10%	49%
Facility - Ambulance			26%		12%
Facility - Medical				30%	12%
Outpatient Facility	2%	3%			
Facility - Mental Health/Chemical Dependency			20%	9%	11%
Practitioner	4%	4%			
Physical & Occupational Therapy			17%	7%	
Speech Therapy			15%	11%	17%

Wellmark, Inc.					
Service Category	**2014**	**2015**	**2016**	**2017**	**2018**
Acute Inpatient Facility	0%	4%			
Drug	10%	9%			
Facility - Speech Therapy			23%	17%	23%
Home Health				15%	30%
Home Medical Equipment			12%		
Mental Health/Chemical Dependency Facility				9%	
Outpatient Facility	3%	4%			
Practitioner	1%	3%			
Practitioner - Ambulance			28%		
Practitioner - Mental Health/Chemical Dependency			13%	12%	15%
Practitioner - Pharmaceutical				11%	16%
Practitioner - Physical & Occupational Therapy			13%		13%

Appendix G: Additional Data[46]

I. ICMM, small group, and large group incurred PMPMs, 2014-2018.

ICMM Incurred PMPM Costs					
Company	**2014**	**2015**	**2016**	**2017**	**2018**
Golden Rule Insurance Co.	$127.88	$157.77	$179.33	$186.45	$188.89
Medica Insurance Co.			$693.00	$731.86	$619.17
Wellmark Health Plan of Iowa, Inc.	$183.84	$196.26	$234.30	$366.12	$184.48
Wellmark, Inc.	$252.29	$328.31	$378.92	$359.05	$344.38

Small Group Incurred PMPM Costs					
Company	**2014**	**2015**	**2016**	**2017**	**2018**
Medical Associates Health Plan, Inc.	$327.53	$336.65	$341.91	$357.66	$415.60
UnitedHealthcare Insurance Co.	$264.82	$287.32	$263.12	$294.44	$313.98
UnitedHealthcare Plan of the RV	$239.79	$220.37	$250.98	$284.88	$303.14
Wellmark Health Plan of Iowa, Inc.	$279.52	$320.53	$289.25	$293.43	$295.46
Wellmark, Inc.	$278.33	$327.11	$307.97	$327.22	$355.90

Large Group Incurred PMPM Costs					
Company	**2014**	**2015**	**2016**	**2017**	**2018**
Aetna Life Ins. Co.				$281.93	$379.49
Medical Associates Health Plan, Inc.	$364.21	$364.04	$371.58	$398.21	$420.78
UnitedHealthcare Insurance Co.	$323.06	$310.04	$263.62	$248.99	$336.88
UnitedHealthcare Plan of the RV	$316.94	$316.02	$345.30	$366.95	$387.16
Wellmark Health Plan of Iowa, Inc.	$294.07	$282.46	$314.79	$309.32	$340.18
Wellmark, Inc.	$305.67	$289.39	$353.61	$367.53	$383.87

[46] Aetna Life Insurance Company was not involved in data calls prior to 2018. Medica entered the market in 2016.

II. ICMM, small group, and large group allowed PMPMs, 2015-2018.[47]

ICMM Allowed PMPM Costs				
Company	**2015**	**2016**	**2017**	**2018**
Golden Rule Insurance Co.	$231.73	$255.48	$267.35	$273.96
Medica Insurance Co.		$813.00	$847.06	$736.42
Wellmark Health Plan of Iowa	$218.90	$326.31	$486.36	$267.76
Wellmark, Inc.	$409.66	$465.20	$447.63	$427.88

Small Group Allowed PMPM Costs				
Company	**2015**	**2016**	**2017**	**2018**
Medical Associates Health Plan, Inc.	$396.68	$387.97	$407.18	$461.92
UnitedHealthcare Insurance Co.	$345.85	$322.80	$350.38	$386.20
UnitedHealthcare Plan of the River Valley	$290.17	$321.65	$342.05	$351.48
Wellmark Health Plan of Iowa, Inc.	$382.02	$366.06	$371.90	$382.23
Wellmark, Inc.	$407.19	$390.24	$414.90	$453.23

Large Group Allowed PMPM Costs				
Company	**2015**	**2016**	**2017**	**2018**
Aetna Life Ins. Co.			$364.11	$478.76
Medical Associates Health Plan, Inc.	$411.98	$412.72	$439.64	$463.85
UnitedHealthcare Insurance Co.	$384.04	$323.09	$301.28	$424.47
UnitedHealthcare Plan of the River Valley	$381.85	$421.81	$433.93	$480.93
Wellmark Health Plan of Iowa, Inc.	$354.59	$380.10	$380.65	$418.13
Wellmark, Inc.	$367.78	$437.35	$455.54	$476.85

[47] The insurers were not surveyed for allowed claims data prior to 2015.

III. ICMM, small group, and large group total earned premiums, 2014-2018.

IV. ICMM Total Earned Premiums					
Company	**2014**	**2015**	**2016**	**2017**	**2018**
Golden Rule Insurance Co.	$17,985,455	$14,744,341	$12,786,659	$11,298,635	$11,530,356
Medica Insurance Co.			$8,117,768	$99,482,781	$490,748,432
Wellmark Health Plan of Iowa, Inc.	$81,063,107	$90,740,551	$24,288,808	$42,985,627	$3,477,347
Wellmark, Inc.	$262,636,959	$263,088,099	$261,632,681	$195,489,024	$147,769,344

Small Group Total Earned Premiums					
Company	**2014**	**2015**	**2016**	**2017**	**2018**
Medical Associates Health Plan, Inc.	$10,012,411	$9,903,990	$9,440,013	$9,102,791	$11,089,343
UnitedHealthcare Insurance Co.	$45,682,673	$42,654,925	$36,985,310	$43,073,407	$69,840,283
UnitedHealthcare Plan of the RV	$66,830,001	$52,885,122	$45,435,771	$43,531,076	$48,980,509
Wellmark Health Plan of Iowa, Inc.	$89,180,290	$94,020,950	$106,932,252	$122,229,006	$169,405,213
Wellmark, Inc.	$342,109,516	$424,750,524	$483,383,919	$529,873,520	$552,461,532

Large Group Total Earned Premiums					
Company	**2014**	**2015**	**2016**	**2017**	**2018**
Aetna Life Ins. Co.				$9,374,391	$26,557,520
Medical Associates Health Plan, Inc.	$52,720,731	$45,801,136	$48,731,296	$50,531,135	$49,920,535
UnitedHealthcare Insurance Co.	$81,824,035	$107,284,144	$112,708,217	$129,712,930	$128,197,419
UnitedHealthcare Plan of the RV	$117,080,979	$101,307,617	$89,467,139	$76,953,712	$72,231,881
Wellmark Health Plan of Iowa, Inc.	$172,110,768	$173,895,961	$184,750,094	$218,794,133	$247,050,430
Wellmark, Inc.	$999,148,619	$1,011,134,917	$1,044,385,139	$1,026,083,995	$956,886,987

V. Commissions as a percentage of premium, 2014-2018

Commission as % of Premium					
Company	**2014**	**2015**	**2016**	**2017**	**2018**
Aetna Life Ins. Co.				3%	2%
Golden Rule Ins Co.	4%	2%	2%	2%	1%
Medica Insurance Co.			1%	2%	1%
Medical Associates Health Plan, Inc.	1%	1%	1%	1%	1%
UnitedHealthcare Insurance Co.	3%	3%	2%	1%	4%
UnitedHealthcare Plan of the RV	3%	2%	2%	2%	2%
Wellmark Health Plan of Iowa, Inc.	3%	3%	4%	3%	3%
Wellmark, Inc.	3%	4%	3%	3%	2%

VI. Other Non-Benefit Expenses as a percentage of premium, 2014-2018

Other Non-Benefit Expenses as % of Premium					
Company	**2014**	**2015**	**2016**	**2017**	**2018**
Aetna Life Ins. Co.				6%	-1%
Golden Rule Ins Co.	11%	14%	20%	10%	15%
Medica Insurance Co.			14%	11%	15%
Medical Associates Health Plan, Inc.	10%	10%	10%	8%	9%
UnitedHealthcare Insurance Co.	14%	19%	22%	20%	21%
UnitedHealthcare Plan of the RV	11%	12%	11%	9%	11%
Wellmark Health Plan of Iowa, Inc.	11%	11%	11%	8%	9%
Wellmark, Inc.	12%	11%	11%	8%	10%

VII. Additional Cost Factors Beyond Claims (as a percentage of premium)

Aetna Life Ins Co.		
Factor	**2017**	**2018**
Administrative	6%	-1%
Commissions	3%	2%
Profit	11%	0%

Golden Rule Insurance Company					
Factor	**2014**	**2015**	**2016**	**2017**	**2018**
ACA Fees		4%	3%	0%	2%
Administrative	11%	10%	16%	10%	12%
Commissions	4%	2%	2%	2%	1%
Quality Improvement		0%	0%	0%	1%

Medica Insurance Company			
Factor	**2016**	**2017**	**2018**
Administrative	7%	6%	6%
Commissions	1%	2%	1%
HCQI	0%	0%	1%
Taxes	8%	5%	8%

Medical Associates Health Plan, Inc.					
Factor	**2014**	**2015**	**2016**	**2017**	**2018**
Administrative	8%	8%	9%	8%	9%
ACA Fees	2%	2%	1%		
Commissions	1%	1%	1%	1%	1%

United Healthcare Insurance Co.					
Factor	**2014**	**2015**	**2016**	**2017**	**2018**
Administrative	14%	19%	22%	20%	21%
Commissions	3%	3%	2%	1%	4%

United Healthcare Plan of the River Valley, Inc.					
Factor	**2014**	**2015**	**2016**	**2017**	**2018**
Administrative	11%	12%	11%	9%	11%
Commissions	3%	2%	2%	2%	2%

Wellmark Health Plan of Iowa, Inc.					
Factor	**2014**	**2015**	**2016**	**2017**	**2018**
Administrative	11%	11%	11%	8%	9%
Commissions	3%	3%	4%	3%	3%

Wellmark Inc.					
Factor	**2014**	**2015**	**2016**	**2017**	**2018**
Administrative	12%	11%	11%	8%	10%
Commissions	3%	4%	3%	3%	2%

Appendix H: Health Care Cost Category Standardization

Original Service	Standard Name	Original Service	Standard Name
Ambulance	Ambulance	Rehabilitation	MH/CD
Benefit Changes	Benefit Changes	Rx - Facility Dispensed	Prescription Drug
Deductible Leveraging	Deductible Leveraging	Rx - Pharmacy Dispensed	Prescription Drug
Diagnostic Imaging	Diagnostic Imaging & Tests	Skilled Nursing	Skilled Nursing Facilities
Dialysis	Outpatient Hospital	Skilled Nursing Facilities	Skilled Nursing Facilities
Emergency Room	Emergency Room	SNF	Skilled Nursing Facilities
Emergency Room - Hospital Based	Emergency Room	Transplants	Inpatient Hospital
Freestanding Clinical Lab	Laboratory and X-ray	Venipuncture	Outpatient Hospital
HCPCS - Non Spec Pharma	Prescription Drug	X-Ray	Laboratory and X-ray
Home Health	Outpatient Hospital		
Hospice	Other		
Immunizations	Preventive		
Inpatient Hospital	Inpatient Hospital		
IP Medical	Inpatient Hospital		
IP Mental Health	MH/CD		
IP Surgical	Surgery		
Lab & Path	Laboratory and X-ray		
Lab & Path Services	Laboratory and X-ray		
Laboratory	Laboratory and X-ray		
Maternity/Newborn	Inpatient Hospital		
Med/Surg/ICU	Inpatient Hospital		
MH/CD	MH/CD		
Misc Outpatient	Outpatient Hospital		
NICU/Extended Stay	Inpatient Hospital		
Non-Specialty Brand Rx	Prescription Drug		
Non-Specialty Generic Rx	Prescription Drug		
Observation	Outpatient Hospital		
OP Emergency Room	Emergency Room		
OP Pathology/Lab	Laboratory and X-ray		
OP Radiology	Diagnostic Imaging		
OP Surgery	Outpatient Hospital		
Other	Other		
Other - Dialysis	Outpatient Hospital		
Other - Outpatient Rx	Prescription Drug		
Other Pharmacy	Prescription Drug		
Outpatient Hospital	Outpatient Hospital		
Phy Administered Drugs - Chemo	Physician		
Phy Administered Drugs - non-Chemo	Physician		
Physician	Physician		
Physician Visits	Physician		
Population Change	Population change		
Prescription Drug	Prescription Drug		
Preventive	Preventive		
PROF ADDL Benefits	Physician		
PROF Emergency Room	Emergency Room		
PROF IP Visits	Physician		
PROF Office Admin Rx	Physician		
PROF Pathology/Lab	Laboratory and X-ray		
PROF Urgent Care	Physician		
Pulmonary	Other		
Radiology Diagnostic	Radiology		
Radiology Therapy	Radiology		

Appendix I: Data Request

Fields of Opportunities

STATE OF IOWA

KIM REYNOLDS
GOVERNOR

ADAM GREGG
LT. GOVERNOR

DOUG OMMEN
COMMISSIONER OF INSURANCE

September 18, 2019

RE: MANDATORY DATA CALL ON HEALTH CARE COSTS

Dear Carrier,

Iowa Code section 505.18 requires a report to the Governor and the Iowa General Assembly on the "findings regarding health spending costs for health insurance plans in the state" (Health Care Costs Report) annually. Some of the necessary information required under Iowa Code section 505.18 is not available on file with the Iowa Insurance Division and additional information from the carriers is needed. In order to comply with the statutory requirements of the Health Care Costs Report, please provide answers to the following requests regarding your company's major medical health insurance business only.

1) Please provide incurred claims, earned premiums, and loss ratio history for 2018 separated by individual comprehensive major medical (ICMM), small group (2-50 employees), and large group insurance.

2) Please provide rate increase history for 2018 separated by individual comprehensive major medical (ICMM), small group (2-50 employees), and large group insurance.

3) Iowa Code section 505.18(2)(d) requires a "ranking and quantification of those factors that result in higher costs and those factors that result in lower costs for each health insurance carrier in the state".

   a) **Using the uniform terminology provided on the answer sheet** please group and rank, by descending dollar amount, the top ten factors that have *increased* your company's healthcare costs in 2018. Results should include all health insurance plans offered in Iowa for the combined effect on your company in Iowa's market.

   b) Using the uniform terminology provided please group and rank, by descending dollar amount, the top ten factors that have *decreased* (reduced) healthcare costs in 2018. Results should include all health insurance plans offered in Iowa for the combined effect on your company in Iowa's market.

4) Please provide the incurred and allowed PMPM (per member per month) claim costs for 2018 for ICMM, small group, and large group blocks of business.

5) Iowa Code section 505.18(2)(f) requires a 'listing of any apparent medical trends affecting health insurance costs in the state'. Please provide the trends, known by your company, that have caused healthcare costs to increase, for your company, at a rate higher than the general inflation rate for 2018.

TWO RUAN CENTER / 601 LOCUST STREET / 4th FLOOR / DES MOINES, IOWA 50309-3738
Telephone 515-281-5705 / Facsimile 515-281-3059 / http://iid.iowa.gov

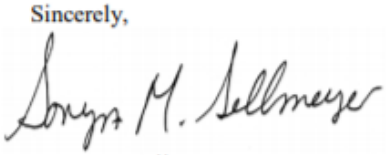
This could include any identified factors (i.e. certain drugs costs increasing, certain medical procedures which are occurring more frequently). Please provide supporting documentation (as necessary to verify the trend) demonstrating the trend in a separate attachment.

6) Please provide costs over and above claims for 2018. Items such as agent commissions, administrative expenses (include a list of elements included in this category), and any other non-claims related factor that is included in the premium costs should be provided. Please provide the percent of premium each item represents.

Please review and follow the accompanying answer sheet as the answer format guide. **All answers should be provided in Microsoft Excel format electronically (by disk or email). Please note that PDF files or any other format other than Microsoft Excel will not be acceptable.** The mandatory data call is being issued to insurers that represent an extensive amount of premiums earned and lives covered in the large group, small group or individual health insurance market in Iowa for 2018. This data call is issued under the Commissioner's powers in Iowa Code section 505.8(11)(a). **All data call responses must be delivered on or before October 4, 2019 to sonya.sellmeyer@iid.iowa.gov or 601 Locust Street, Fourth Floor, Des Moines, Iowa 50309.** Please contact Sonya Sellmeyer should you have any questions or concerns at 515-281-4038.

Thank you in advance for your response.

Sincerely,



Sonya M. Sellmeyer
Consumer Advocate
Iowa Insurance Division
Office: (515) 281-4038
Fax: (515) 281-3059
sonya.sellmeyer@iid.iowa.gov