



**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**



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## **Annual Report to the Iowa Governor and to the Iowa Legislature**

### **Introduction**

This report was prepared by NovaRest Consulting for the Iowa Insurance 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 fiscal 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 larger health insurers in Iowa through a data request from the Iowa Insurance Division. 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 following companies were included in the 2011 data call based on their market share in Iowa in 2010:

- American Family Mutual Insurance Company
- American Republic Insurance Company
- Coventry Health Care of Iowa
- Golden Rule Insurance Company
- Principal Life Insurance Company
- Time Insurance Company
- UnitedHealthcare Insurance Company
- UnitedHealthcare Plan of the River Valley
- Wellmark Health Plan of Iowa
- Wellmark Inc.

Based on their small market share in Iowa five companies were not included in this report that were included in the 2010 report. These companies include:

- Companion Life
- Federated Mutual
- Health Alliance
- John Alden
- Medical Associates

Company	Member Months in 2010 report not included in 2011		
	ICCM	Small Group	Large Group
Companion Life	10,499	36	
Federated Mutual	3	28,084	2,759
Health Alliance		16,507	11,668
John Alden	15,482	10,260	
Medical Associates		45,892	191,092

To avoid confusion we have only included the companies that were part of the 2011 data call in this report. Please note that the data for historic loss ratio, average increases, etc. will not equal those in the 2010 report due to the reduction in the companies included.



## Summary

As the following graph shows, the health insurance market in Iowa is dominated by Wellmark, Inc. (55% to 64% of the three markets – individual, small group and large group). Therefore, the weighted averages for loss ratios and rate increases provided in this report will fall very close to the Wellmark, Inc. values, even though there are significant differences between companies. These weighted averages were weighted by member months<sup>1</sup>, which results in an average closer to what most members are experiencing as rate increases in their premiums. 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. By averaging across members rather than carriers we will attain a better estimate of the rate increases experienced by the population in Iowa.

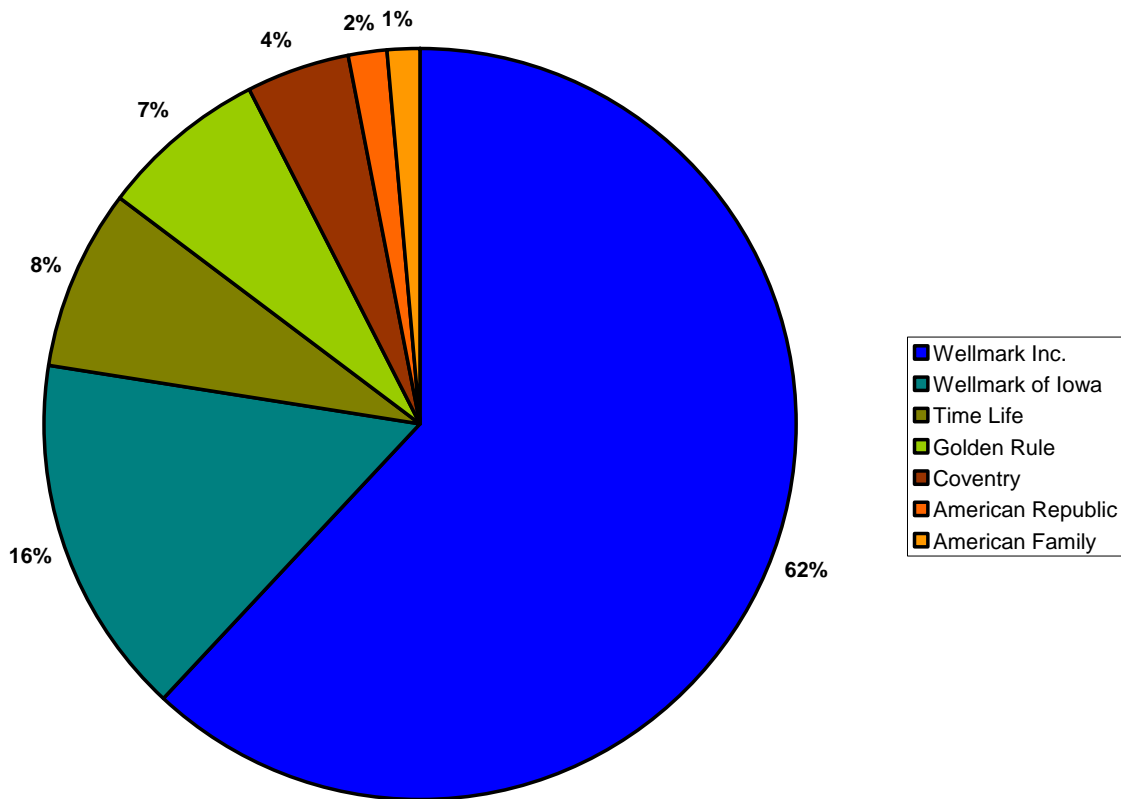
We have provided charts of member months to demonstrate the large variance in members per carrier in Iowa. The key for each graph is in descending order of total member months. A complete set of data can be found in *Appendix A*.

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<sup>1</sup> Member months are the number of total months covered for all individuals insured by a carrier in a market.

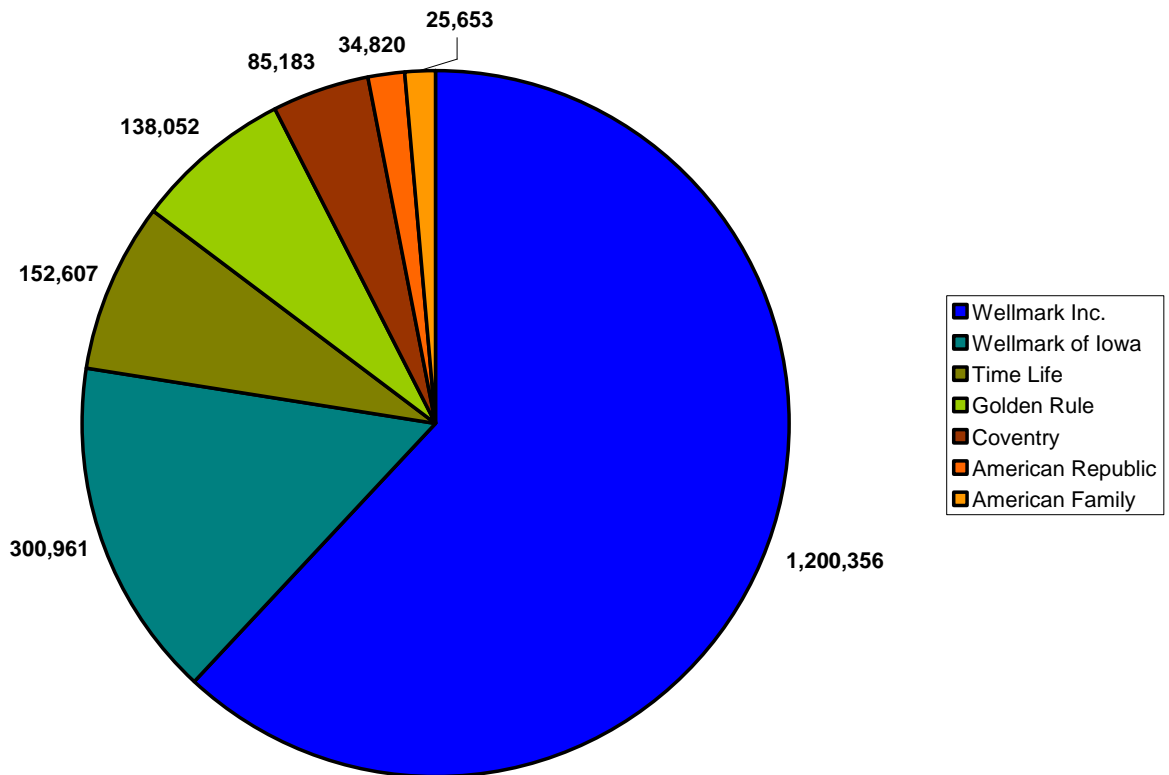


*2010 Individual Comprehensive Major Medical (“ICMM”) Member Months by Percent*



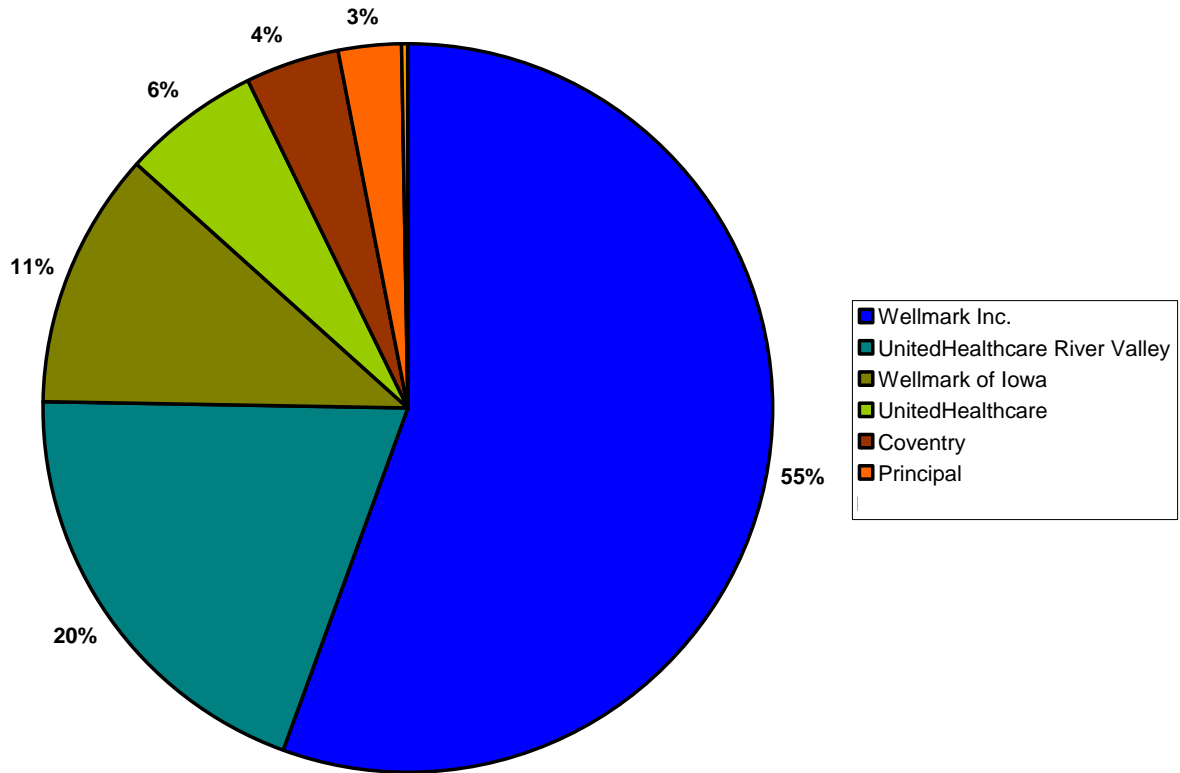


*2010 Individual Comprehensive Major Medical (“ICMM”) Member Months*





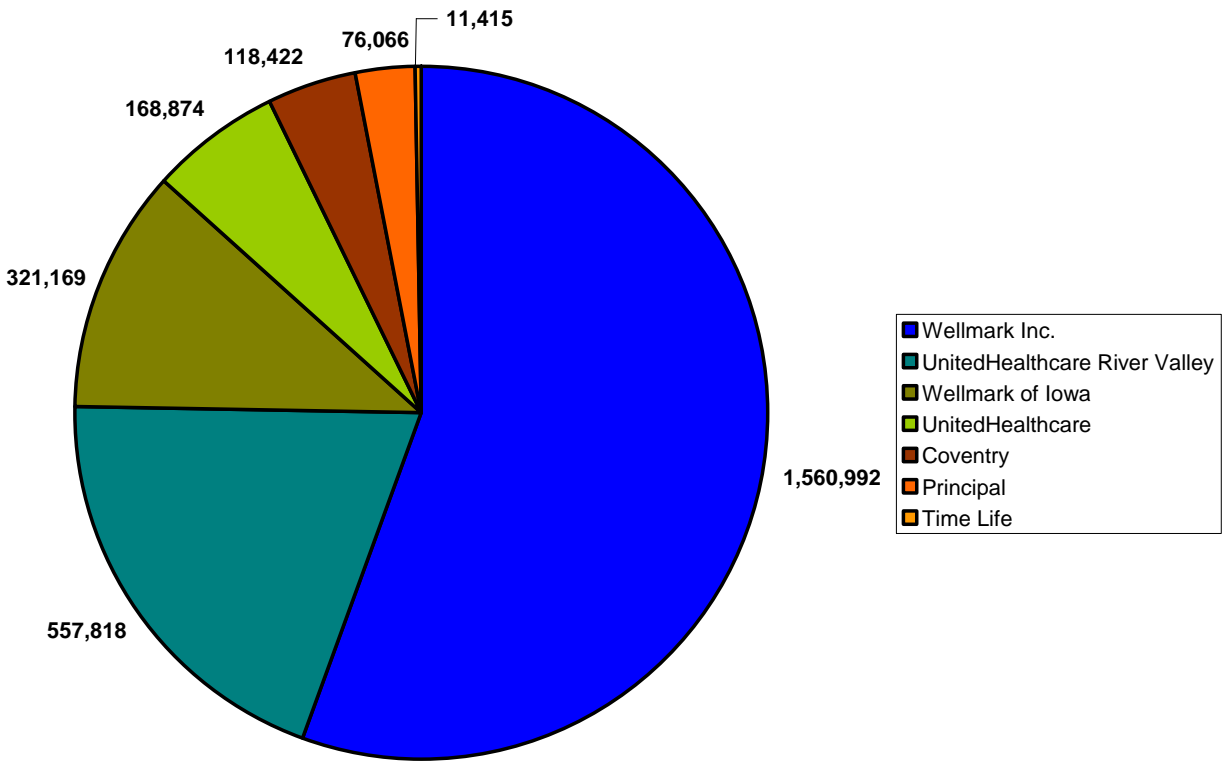
*2010 Small Group Member Months by Percent*





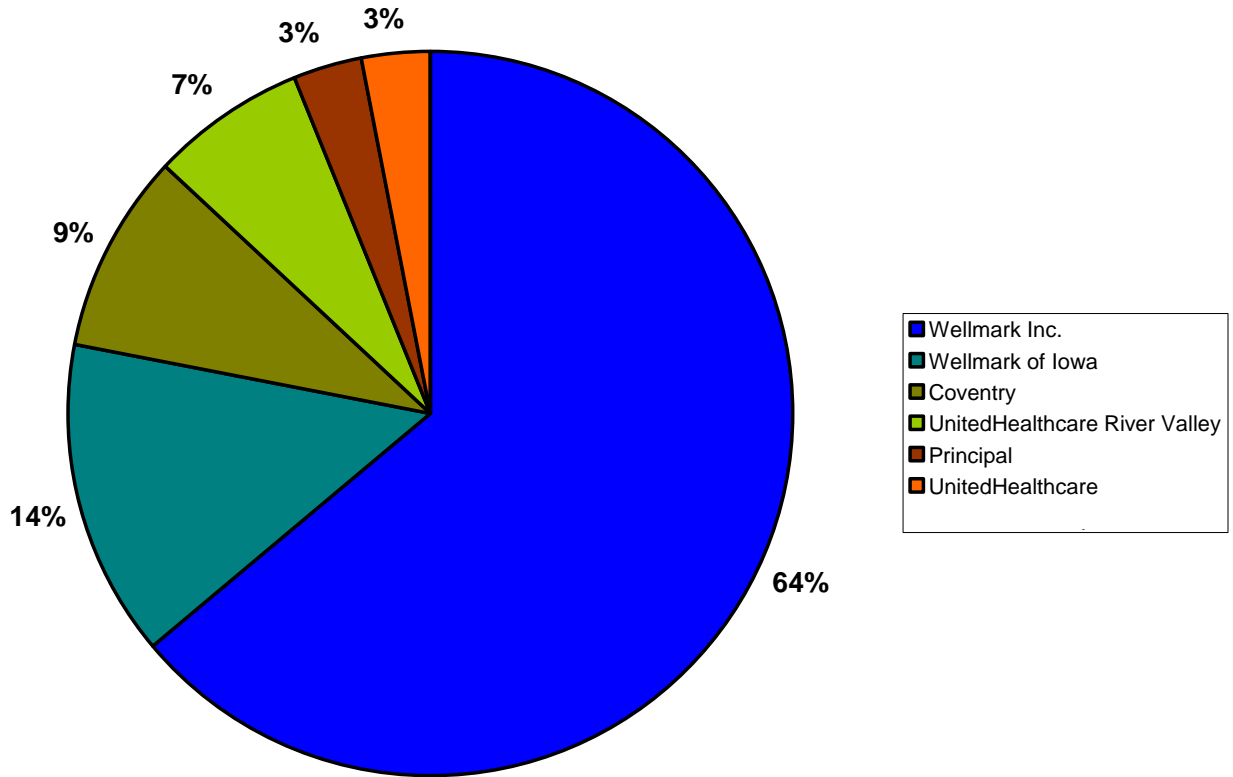


*2010 Small Group Member Months*



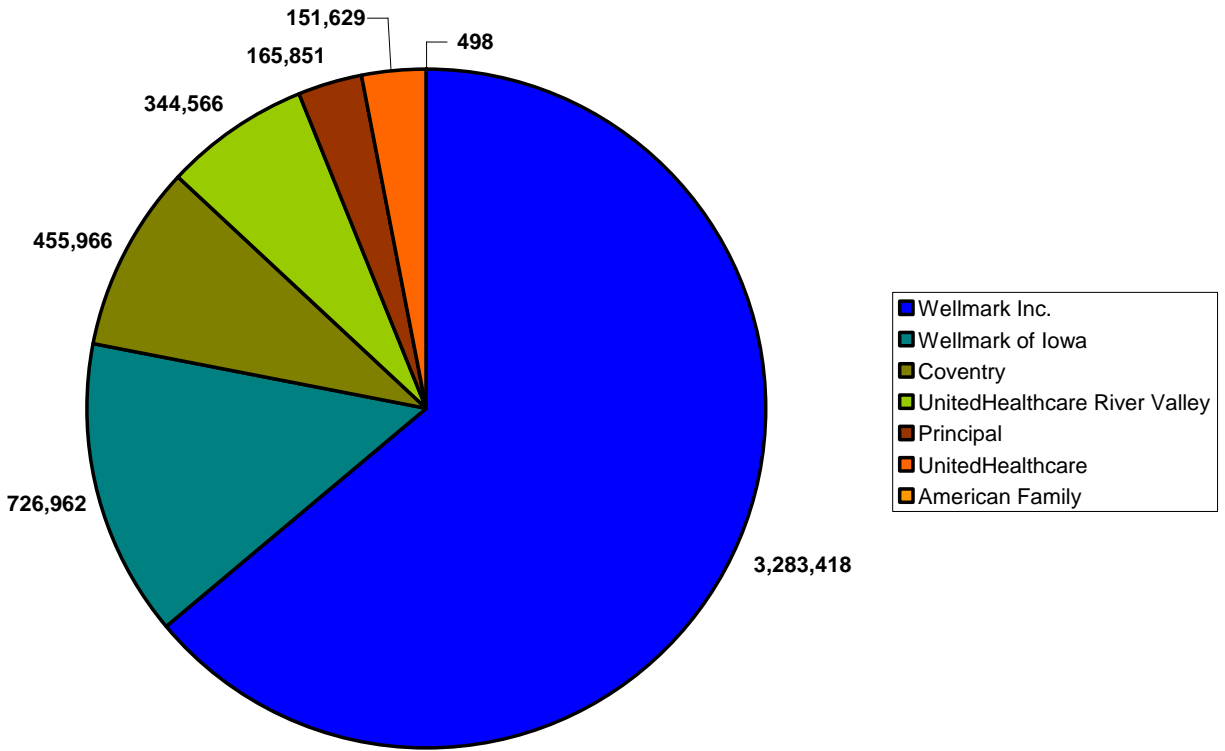


*2010 Large Group Member Months by Percent*





*2010 Large Group Member Months*





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

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

A loss ratio is the 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 but not directly delivered to members. No specific definition of claims was provided to carriers. The new federal health insurance reform will require carriers in a state to provide a rebate to policyholders if the carrier's loss ratio is less than 80% for the individual or small group markets and 85% for the large group market. 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. Because Iowa enjoys some of the lowest health insurance rates in the country and because of a concern that carriers in the individual insurance market may leave Iowa if required to meet an 80% loss ratio in 2011, the State requested federal regulators to phase in the individual insurance market medical loss ratio for the rebate calculation. The Department of Health and Human Services (HHS) did grant the waiver for 2011 at 67% of premium, and in 2012 as 75% of premium. The insurance markets will be required to comply with the 80% in 2013 and beyond.<sup>2</sup> On average for 2010, commission percentage was 5.1% and administrative cost excluding commissions averaged 9.6%<sup>3</sup> of premium (See **Appendix G** for more detail).

The detail provided below shows that 2010 average loss ratios are 71%, 83% and 85% for individual, small group, and large group respectively on a non-weighted basis. When loss ratios are weighted by membership in the 10 companies, the averages are 82%, 81% and 87% for individual, small group, and large group respectively. Individual and large group loss ratios have dropped since 2009,

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<sup>2</sup> Source: [insurance.about.com/b/2011/07/28iowa-gets-federal-medical-loss-ratio-waiver.htm](http://insurance.about.com/b/2011/07/28iowa-gets-federal-medical-loss-ratio-waiver.htm) and [thehill.com/blogs/healthwatch/health-reform-implementation/120319-iowa-requests-waives-from-medical-loss-ratio-requirement](http://thehill.com/blogs/healthwatch/health-reform-implementation/120319-iowa-requests-waives-from-medical-loss-ratio-requirement)

<sup>3</sup> Some companies may have split items out of administrative costs that others included so this percentage may be somewhat understated. See Appendix G of the detail replies.



indicating that insurers were more profitable or had higher administrative costs. Small group average loss ratios increased from 77% to 83%.

There is wide variation in loss ratios from company to company. Individual loss ratios varied from 38% to 87% in 2010. Small and large group varied from 72% to 99% and 75% to 99% respectively.

*b. Rate increase data<sup>4</sup>.*

The average individual rate increases for 2008 to 2010 are 14%, 15%, and 18% on a non-weighted basis and 9%, 11% and 19% on a weighted basis.

The average small group rate increases for 2008 to 2010 are 9%, 12%, and 15% on a non-weighted basis and 9%, 13% and 16% on a weighted basis.

The average large group rate increases for 2008 to 2010 are 7%, 8%, and 10% on a non-weighted basis and 6%, 9% and 14% on a weighted basis.

In 2010 individual rate increases varied from 0% to 25%, small group from 6% to 30%, and large group from 1% to 25%.

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

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. Information concerning the amount spent in Iowa on various health care services through 2004 was used to determine what the changes were in health care expenditures.<sup>5</sup> We continue to monitor the Centers for Medicare and Medicaid Services for an updated report. Since the impact on premiums would only come from non-Medicare and non-Medicaid expenditures, the Medicare and Medicaid amounts were removed from the overall expenditures.

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<sup>4</sup> This is an example of 2008 and 2009 numbers not matching those in the 2010 report because of the difference in the companies being reported.

<sup>5</sup> More recent data was not available at this time.



From 1999 to 2004 the overall increase in expenditures was 6% per year on average. The highest increase came from hospital cost, which increased \$851 million over the five years.

Note that the impact of increased health care expenditures and the increase in premiums are not in the same proportion. This discrepancy is due to other factors affecting premiums such as changes in benefits and changes in the population covered by a particular carrier.

- 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.*

Overall, carriers reported \$89 million rise in health care costs from the top five increase drivers and \$27 million reduction in the top five decrease drivers. The top five increase drivers accounted for 90% of the increases. The top five decrease drivers accounted for 90% of the decreases.

The top five drivers of health care cost increases are inpatient hospital, physician, other, prescription drug and outpatient hospital. The top five services that have decreased costs are inpatient hospital, physician, other, benefit change and outpatient hospital. The explanation of how a service can be on both lists is that some aspects of a cost or service are increasing and some are decreasing. In all cases of overlap, the increasing aspects were higher than the decreasing aspects. A detailed list of drivers by carrier can be found in **Appendix D**.

- 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 represent liabilities that are set aside to pay claims that have not been paid as of the financial statement date. Reserves vary significantly by the size of the carrier.

Capital and surplus are amounts that protect companies from losses due to claims cost being higher than premiums or from the loss of value in the assets owned by the carrier. These risks increase 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.



Risk-based capital (“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.

The 2010 RBC for the companies in this report varied from 365% to 1,685%.

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

The answer to item d. above provides a more thorough answer to this question, but carriers listed inpatient hospital, physician other and other, as the top three drivers of healthcare cost overall.

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

Information was requested from carriers of per-member-per-month (“PMPM”) cost by market segment. Many factors affect the PMPM costs including wide variations in benefit design, but the PMPM costs do provide some insight into affordability of health insurance in Iowa.

Individual average PMPM claim cost went from \$159 in 2005 to \$141 in 2010. For small group and large group these ranges were \$173 to \$235 and \$207 to \$311 respectively. More detail can be found in *Appendix G*.

Information was also requested concerning the level of commissions and administrative costs. This information has been presented with the loss ratio information and details can be found in *Appendix G*.



- h. *Recommendations made by the work group convened pursuant to section 505.8, subsection 18.*<sup>6</sup>

NovaRest recommends that a standard set of health care expenditure, medical trend, and non-benefit cost categories, be provided to make comparison more straight forward. Incurred claims could be defined in the same way as the federal Department of Health and Human Services' definition for the rebate calculation under federal health insurance reform.

## **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*.

The following charts are loss ratios using straight averages and loss ratios weighted by membership. The weighting results in loss ratios closer to those of Wellmark, Inc. and is more representative of the actual loss ratio average in Iowa.

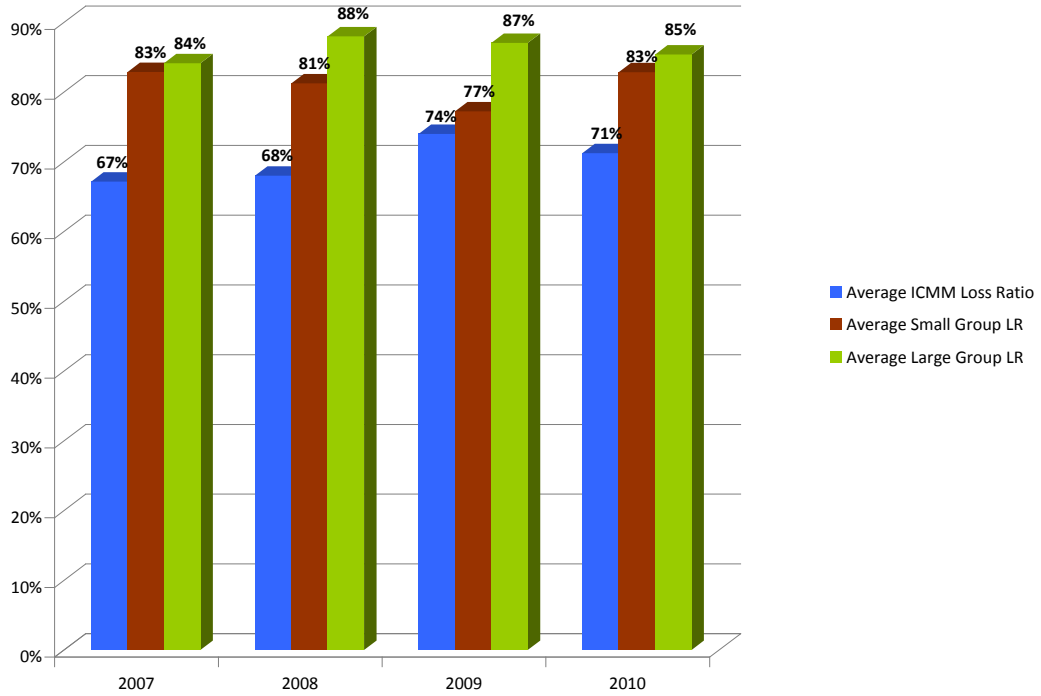
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<sup>6</sup> This is NovaRest, Inc. recommendation, this does not relate to recommendations made by the work group convened pursuant to section 505.8, subsection 18.





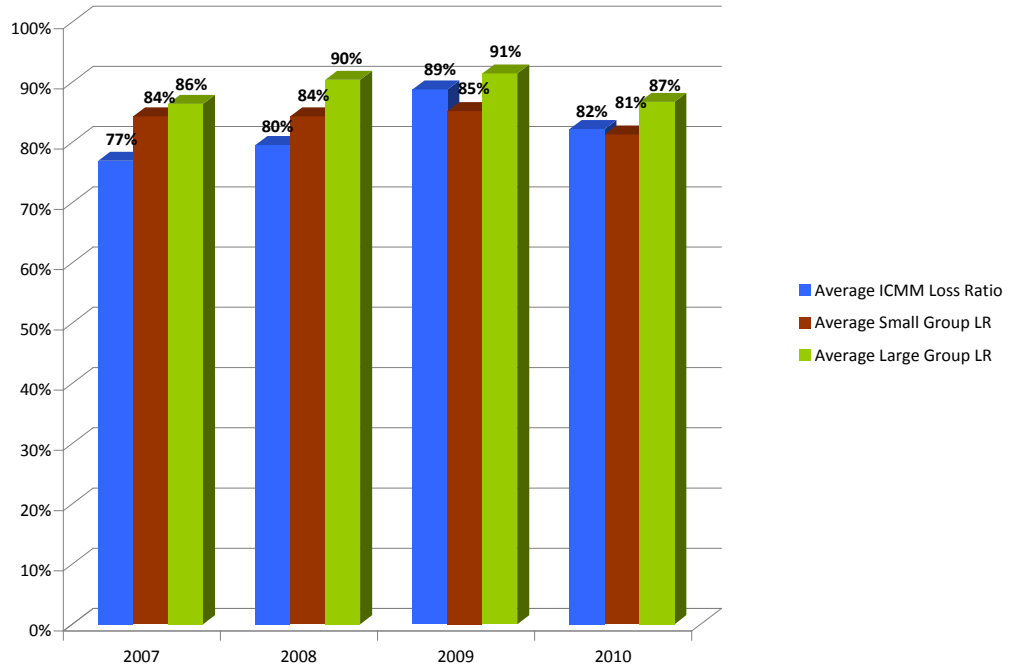
### State of Iowa Loss Ratios 2007-2010





### State of Iowa Loss Ratios 2007-2010

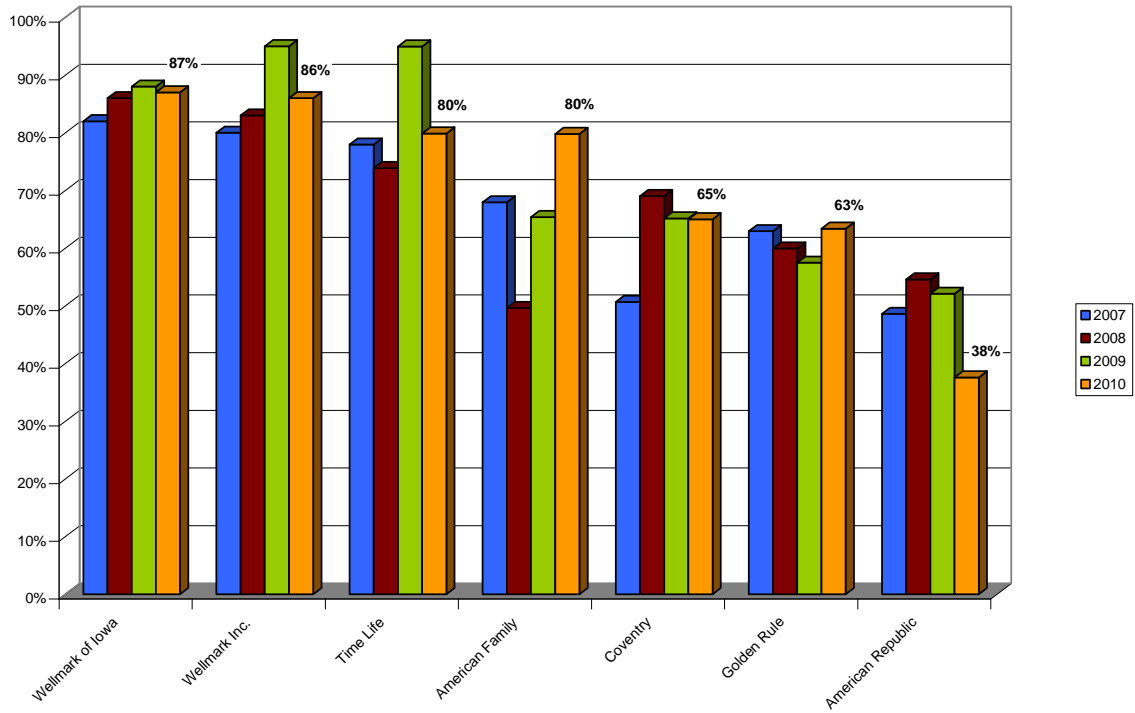
(Weighted by MMs)





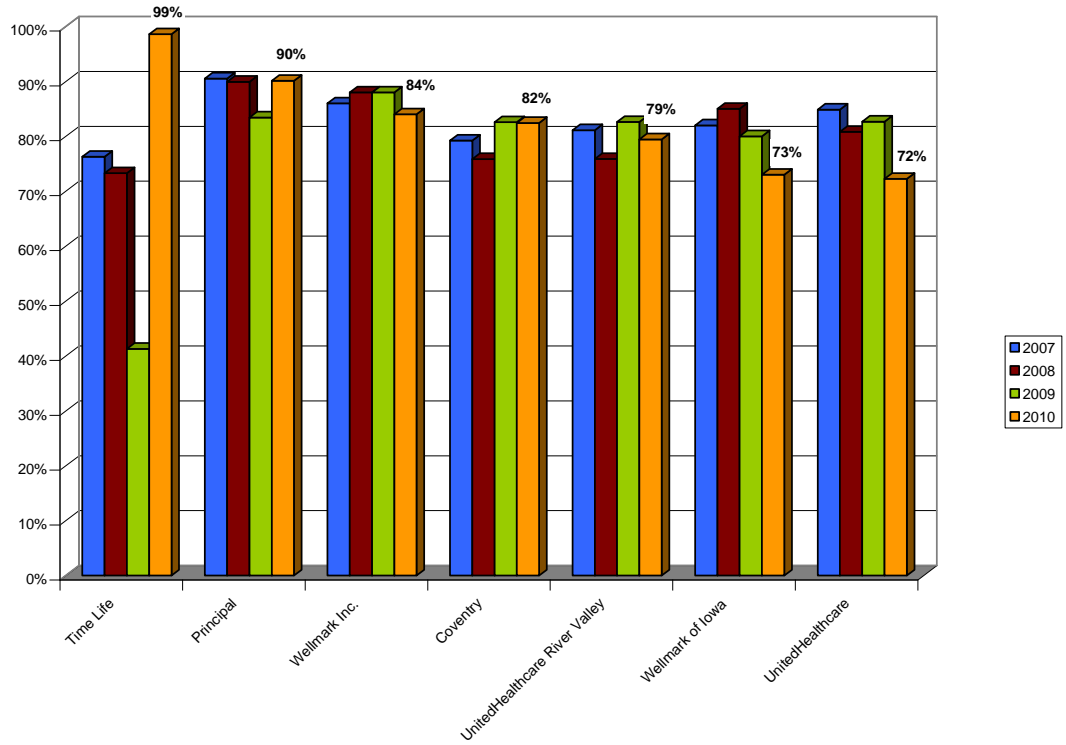
The following charts compare companies for each market segment for 2007-2010. Note that companies without business in a market segment are not included.

**ICMM Loss Ratios 2007-2010**





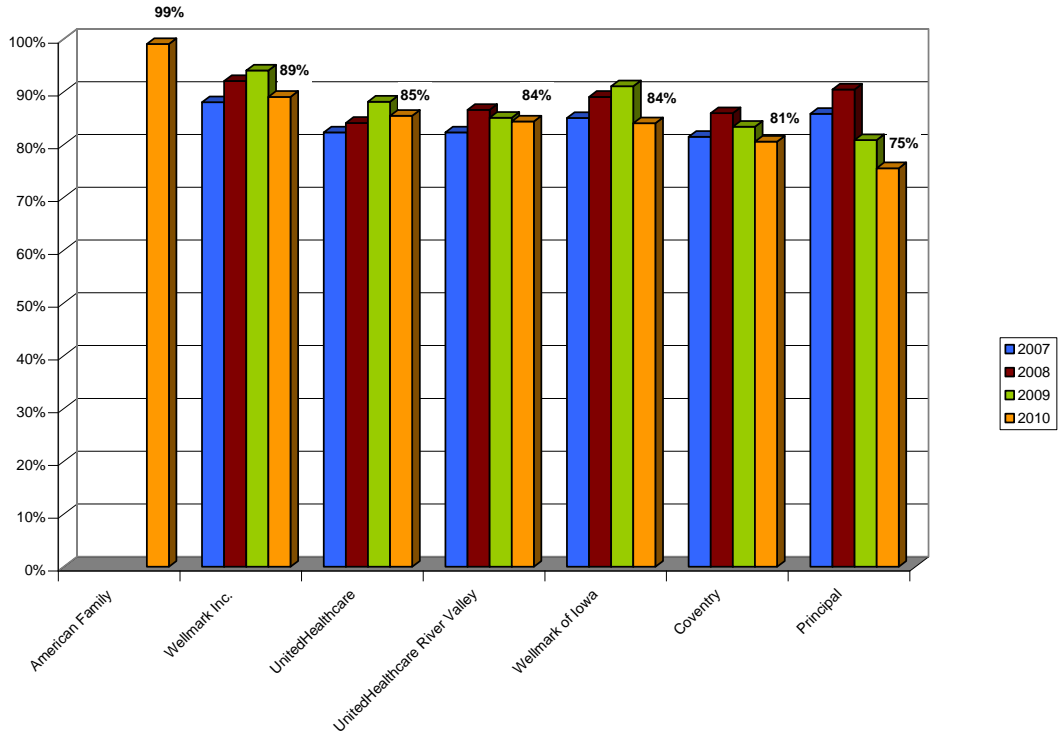
**Small Group Loss Ratios 2007-2010**





**Large Group Loss Ratios 2007-2010**

American Family entered Market in 2010



The following three charts rank the companies by loss ratio for each market for 2010:

<b>2010 ICCM Loss Ratios</b>	
Wellmark of Iowa	87%
Wellmark Inc.	86%
Time Life	80%
American Family	80%
Coventry	65%
Golden Rule	63%
American Republic	38%



<b>2010 Small Group Loss Ratios</b>	
Time Life	99%
Principal	90%
Wellmark Inc.	84%
Coventry	82%
UnitedHealthcare River Valley	79%
Wellmark of Iowa	73%
UnitedHealthcare	72%

<b>2010 Large Group Loss Ratios</b>	
American Family	99%
Wellmark Inc.	89%
UnitedHealthcare	85%
UnitedHealthcare River Valley	84%
Wellmark of Iowa	84%
Coventry	81%
Principal	75%

Under the federal health insurance reform rebate regulations from CMS, carriers with less than 75,000 members are allowed to take an adjustment to the medical loss ratio used in the rebate formula. 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. Except for Wellmark, Inc., all carriers in Iowa will receive a credibility adjustment for rebate purposes.



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The part of the premium not used for claims is used for other expenses and profits. Companies surveyed reported a wide range of commission percentages and administrative percentages. The average commission percentage in 2010 was 6%, but it ranged from 2% to 11%. Commissions for individual products are significantly higher than for small group products and commissions for large group products are even lower. The mix of business between individual and group may explain some of the variation between companies since these lines of business have different levels of administrative cost. The average administrative expense percent of premium in 2010 was 10.6%, but the percentages ranged from 5% to 19.6% (See *Appendix G* for more detail) as the 10 highest percentages of other administrative costs reported by the companies.

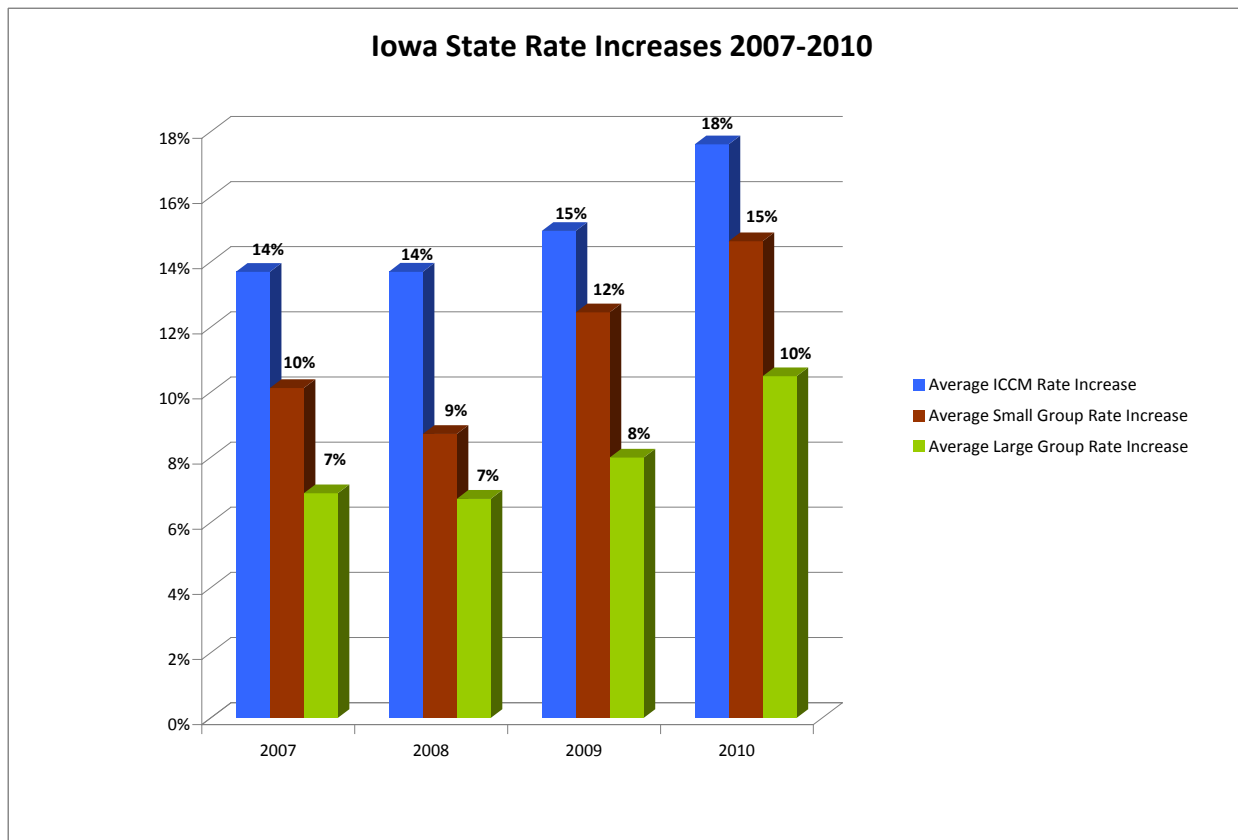


## Rate Increase History

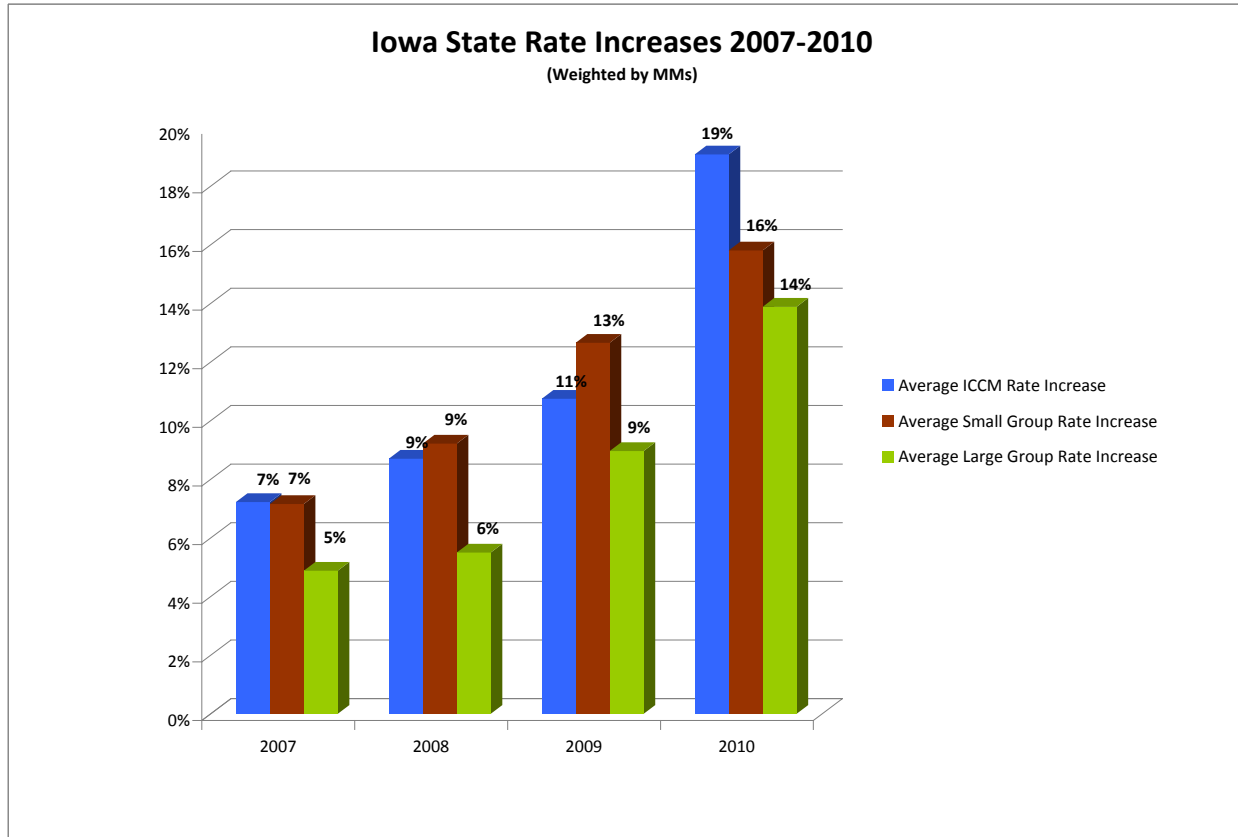
### b. Rate increase data.

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

The following charts show rate increases using straight averages and rate increases weighted by membership.

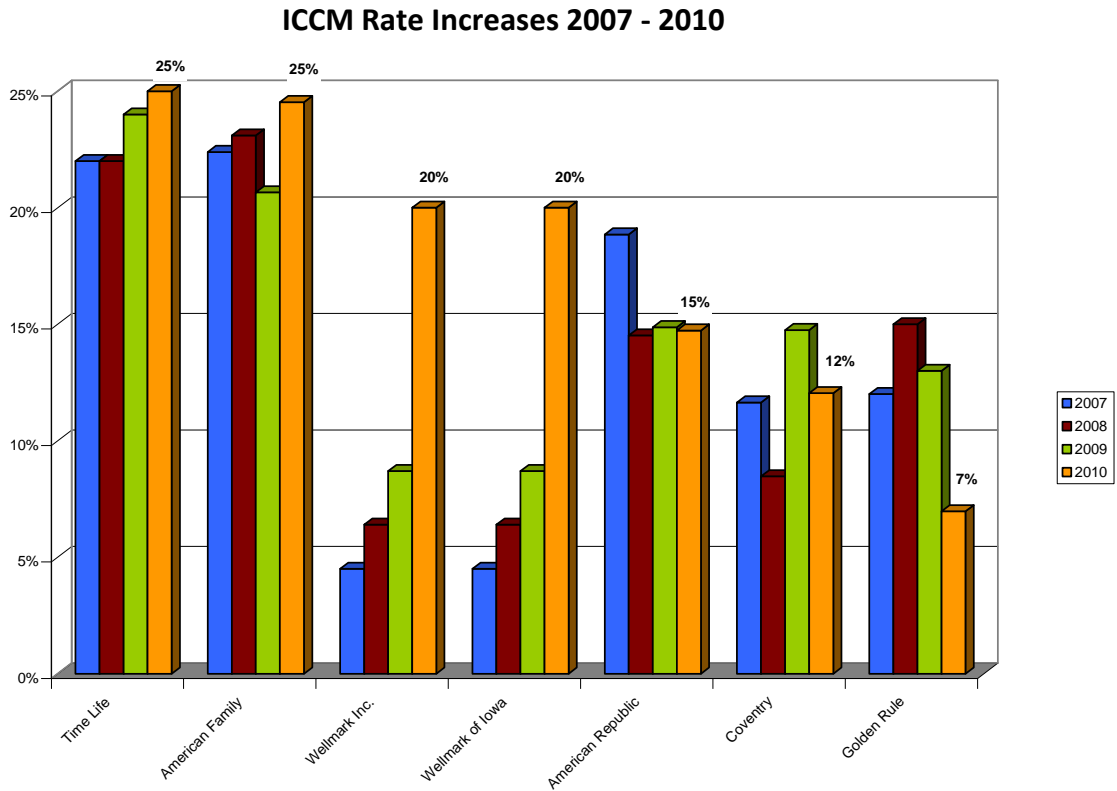








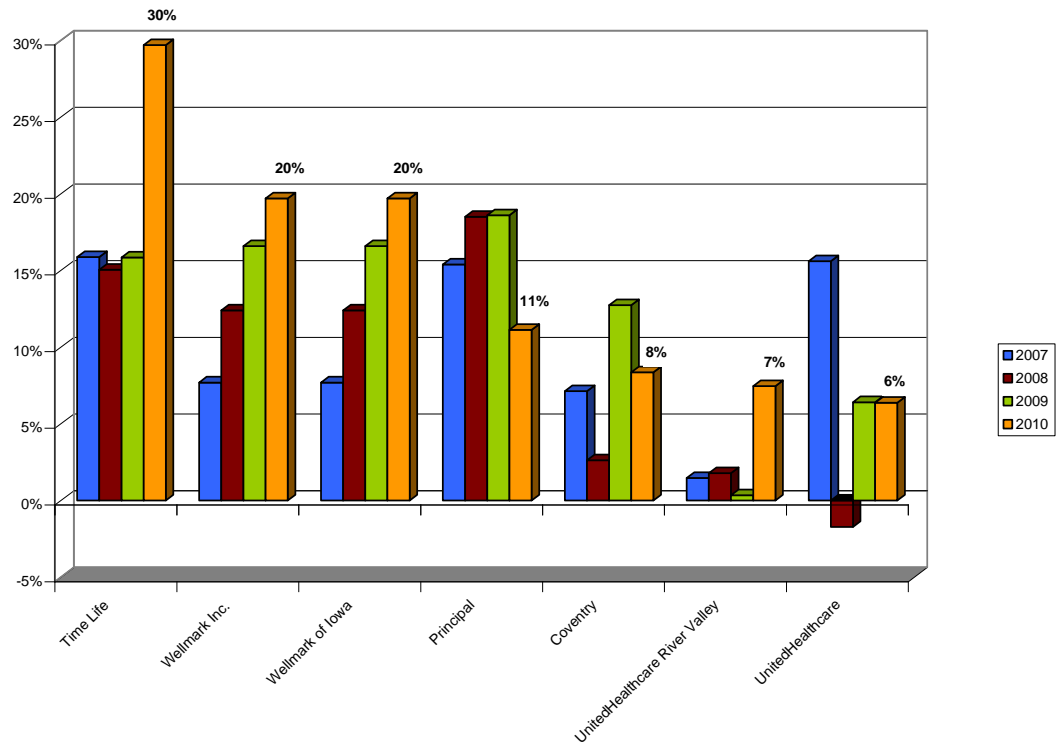
The following three charts show rate increases by company within each market.<sup>7</sup>



<sup>7</sup> The percentages in the following charts represent rate increases for 2007-2010 for each company. Only 2010 labels are included for readability.

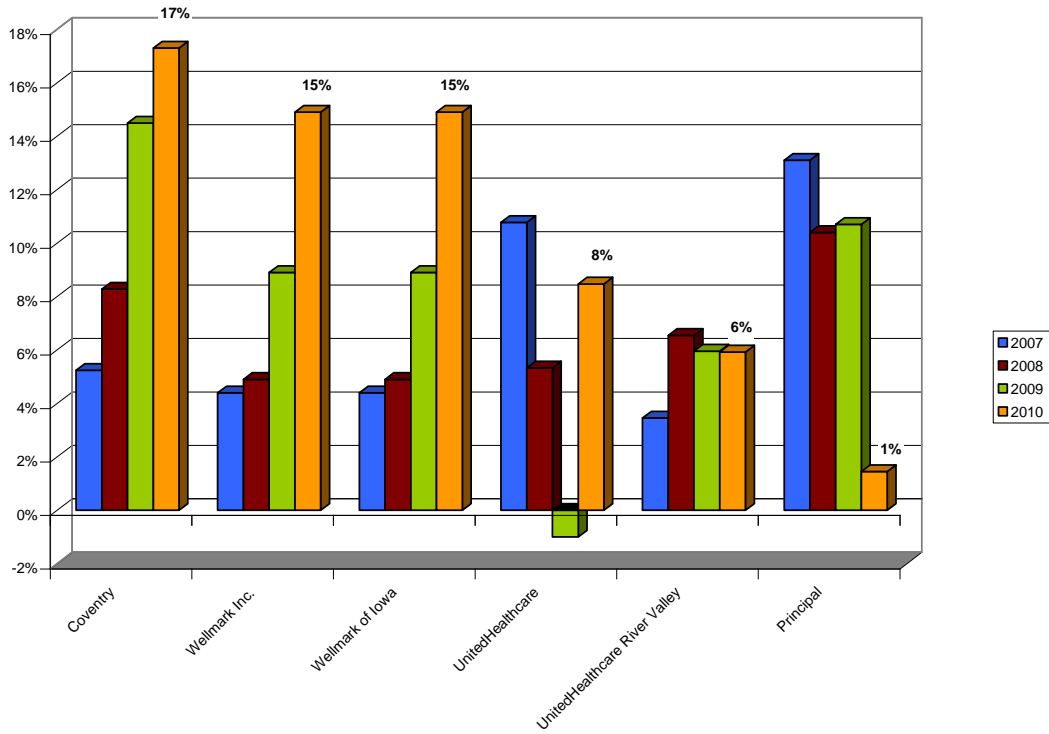


### Small Group Rate Increases 2007 - 2010





### Large Group Rate Increases 2007 - 2010





## Health Care Expenditures

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

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 of 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 following tables show the annual increases in dollars and as a percentage in the non-public program<sup>8</sup> total personal health care expenditures<sup>9</sup> ("PHCE") in Iowa through 2004.

ALL NON-PUBLIC PROGRAMS DOLLAR INCREASES IN MILLIONS						
	1999	2000	2001	2002	2003	2004
Total Personal Health Care (Millions of Dollars)	7,607	8,021	8,461	8,748	9,657	10,110
Hospital Care	2,567	2,632	2,725	2,758	3,181	3,418
Physician and Clinical Services	1,834	1,902	2,044	2,085	2,492	2,550
Other Professional Services	329	327	345	340	362	376
Dental Services	431	466	489	582	604	647
Home Health Care	230	258	224	158	132	158
Prescription Drugs	893	1,029	1,170	1,326	1,446	1,461
Other Non-Durable Medical Products	232	226	217	212	218	216
Durable Medical Products	163	165	166	172	179	192
Nursing Home Care	821	907	971	992	915	957
Other Personal Health Care	107	109	110	123	128	135

<sup>8</sup> The expenditures do not include the Medicare and Medicaid program covered costs since the intent was to show the impact on private health insurance.

<sup>9</sup> Data source was published by Centers for Medicare & Medicaid Services (CMS), Office of the Actuary, National Health Statistics Group. CMS had not updated this report.



<b>ALL NON-PUBLIC PROGRAMS PERCENTAGE INCREASES IN PERSONAL HEALTH CARE EXPENDITURES</b>						
	1999	2000	2001	2002	2003	2004
Total Personal Health Care Expenditure	7%	5%	5%	3%	10%	5%
Hospital Care	7%	3%	4%	1%	15%	7%
Physician and Clinical Services	4%	4%	7%	2%	20%	2%
Other Professional Services	4%	-1%	6%	-1%	6%	4%
Dental Services	2%	8%	5%	19%	4%	7%
Home Health Care	16%	12%	-13%	-29%	-16%	20%
Prescription Drugs	20%	15%	14%	13%	9%	1%
Other Non-Durable Medical Products	2%	-3%	-4%	-2%	3%	-1%
Durable Medical Products	3%	1%	1%	4%	4%	7%
Nursing Home Care	3%	10%	7%	2%	-8%	5%
Other Personal Health Care	8%	2%	1%	12%	4%	5%

The following table shows the breakdown of health care expenditures in Iowa for non-public programs as a percentage of the total.

<b>PERCENT DISTRIBUTION OF NON-PUBLIC PERSONAL HEALTH CARE EXPENDITURE IN IOWA (%)</b>						
	1999	2000	2001	2002	2003	2004
Total Personal Health Care Expenditure						
Hospital Care	34%	33%	32%	32%	33%	34%
Physician and Clinical Services	24%	24%	24%	24%	26%	25%
Other Professional Services	4%	4%	4%	4%	4%	4%
Dental Services	6%	6%	6%	7%	6%	6%
Home Health Care	3%	3%	-1%	2%	1%	2%
Prescription Drugs	12%	13%	14%	15%	15%	14%
Other Non-Durable Medical Products	3%	3%	3%	2%	2%	2%
Durable Medical Products	2%	2%	2%	2%	2%	2%
Nursing Home Care	11%	11%	11%	11%	9%	9%
Other Personal Health Care	1%	1%	1%	1%	1%	1%



## Drivers of Higher Costs and Cost Reductions

- c. 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.**

Many carriers were not able to break out individual, small group, and large group cost drivers. Carriers also used varying terminology and aggregation levels to describe the health care categories for the cost drivers. 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. All of the data provided can be found in *Appendix D*. We also converted definitions to a set of common terms. This conversion is 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. *Appendix H* shows a mapping of the original categories provided to the categories used below.

Overall, carriers reported \$89 million spent in the top five increase drivers and \$27 million spent in the top five decrease drivers. The top five increase drivers accounted for 90% of the increases. The top five decrease drivers accounted for 90% of the decreases.

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
Inpatient Hospital	\$ 25,205,799	25%
Physician	\$ 21,231,343	21%
Other	\$ 18,153,163	18%
Prescription Drug	\$ 15,974,719	16%
Outpatient Hospital	\$ 8,384,179	8%
Surgery	\$ 2,277,525	2%
Population Change	\$ 1,779,147	2%
Deductible Leveraging	\$ 1,081,895	1%
Dialysis	\$ 896,698	1%
Emergency Room	\$ 856,358	1%
Radiology	\$ 555,195	1%
Cost Shifting - Medicare	\$ 546,627	1%
Laboratory and X-ray	\$ 525,140	1%
Underwriting Wear-off	\$ 490,000	0%
Preventative	\$ 342,479	0%
Medical Technology	\$ 276,758	0%
Equipment and Supplies	\$ 121,651	0%
Skilled Nursing Facilities	\$ 99,079	0%
Rehab	\$ 77,155	0%

**Decreases:**

Company Reported Service (Standardized Category)	Decreases	% of Total Listed Decreases
Inpatient Hospital	\$ (11,990,513)	40%
Physician	\$ (10,324,854)	34%
Other	\$ (2,547,233)	8%
Benefit Changes	\$ (1,128,408)	4%
Outpatient Hospital	\$ (901,932)	3%
Prescription Drug	\$ (866,804)	3%
Radiology	\$ (836,276)	3%
Anesthesia	\$ (462,732)	2%
Skilled Nursing Facilities	\$ (349,858)	1%
Diagnostic Imaging & Tests	\$ (157,655)	1%
Rehab	\$ (100,393)	0%
Laboratory and X-ray	\$ (79,454)	0%
Therapy	\$ (67,276)	0%
Emergency Room	\$ (62,382)	0%
Surgery	\$ (57,145)	0%
Chemotherapy	\$ (26,980)	0%
Ambulance	\$ (26,958)	0%





**Increase and Decrease Netted by Service:**

Company Reported Service (Standardized Category)				% of Total Net Change
	Decreases	Increases	Net Change	
<b>Benefit Changes</b>	\$ (1,128,408)		\$ (1,128,408)	-2%
<b>Anesthesia</b>	\$ (462,732)		\$ (462,732)	-1%
<b>Radiology</b>	\$ (836,276)	\$ 555,195	\$ (281,081)	0%
<b>Skilled Nursing Facilities</b>	\$ (349,858)	\$ 99,079	\$ (250,779)	0%
<b>Diagnostic Imaging &amp; Tests</b>	\$ (157,655)		\$ (157,655)	0%
<b>Therapy</b>	\$ (67,276)		\$ (67,276)	0%
<b>Chemotherapy</b>	\$ (26,980)		\$ (26,980)	0%
<b>Ambulance</b>	\$ (26,958)		\$ (26,958)	0%
<b>Rehab</b>	\$ (100,393)	\$ 77,155	\$ (23,239)	0%
<b>Equipment and Supplies</b>		\$ 121,651	\$ 121,651	0%
<b>Medical Technology</b>		\$ 276,758	\$ 276,758	0%
<b>Preventative</b>		\$ 342,479	\$ 342,479	0%
<b>Laboratory and X-ray</b>	\$ (79,454)	\$ 525,140	\$ 445,685	1%
<b>Underwriting Wear-off</b>		\$ 490,000	\$ 490,000	1%
<b>Cost Shifting - Medicare</b>		\$ 546,627	\$ 546,627	1%
<b>Emergency Room</b>	\$ (62,382)	\$ 856,358	\$ 793,976	1%
<b>Dialysis</b>		\$ 896,698	\$ 896,698	1%
<b>Deductible Leveraging</b>		\$ 1,081,895	\$ 1,081,895	2%
<b>Population Change</b>		\$ 1,779,147	\$ 1,779,147	3%
<b>Surgery</b>	\$ (57,145)	\$ 2,277,525	\$ 2,220,380	3%
<b>Outpatient Hospital</b>	\$ (901,932)	\$ 8,473,308	\$ 7,571,376	11%
<b>Physician</b>	\$ (10,324,854)	\$ 21,142,213	\$ 10,817,359	16%
<b>Inpatient Hospital</b>	\$ (11,990,513)	\$ 25,205,799	\$ 13,215,285	19%
<b>Prescription Drug</b>	\$ (866,804)	\$ 15,974,719	\$ 15,107,915	22%
<b>Other</b>	\$ (2,547,233)	\$ 18,153,163	\$ 15,605,930	23%
<b>Net Listed Changes</b>	\$ (29,986,854)	\$ 98,874,909	\$ 68,888,054	100%



## Reserves, Capital and Surplus, Risk-based Capital

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

#### Reserves

Carriers are required to hold sufficient reserves to pay for claims 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 2010 reserves held by each carrier to pay claims:

Company	2010 Reserves
Principal	51,013,273,900
UnitedHealthcare	5,320,195,773
UnitedHealthcare River Valley	409,326,443
Time Life	363,860,905
Wellmark Inc.	312,179,253
Golden Rule	241,374,964
American Republic	151,880,223
American Family	13,298,070
Coventry	12,380,686

#### Capital and Surplus

Capital and Surplus represent the financial resources available to a company that protects it from insolvency in years where it experiences adverse financial situations such as underwriting losses or loss in the value of its assets. The larger a company is in respect to its total annual claims payments, the more capital and surplus it requires to protect against insolvency.

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 or to 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 2010 is displayed below:

<b>Company</b>	<b>2010 Capital and Surplus</b>
American Family	4,570,802,039
Principal	4,375,261,779
UnitedHealthcare	4,018,961,822
Wellmark Inc.	1,005,427,380
UnitedHealthcare River Valley	350,599,955
Golden Rule	301,534,647
Time Life	271,968,981
American Republic	259,881,009
Coventry	24,749,019

### **Risk-based Capital**

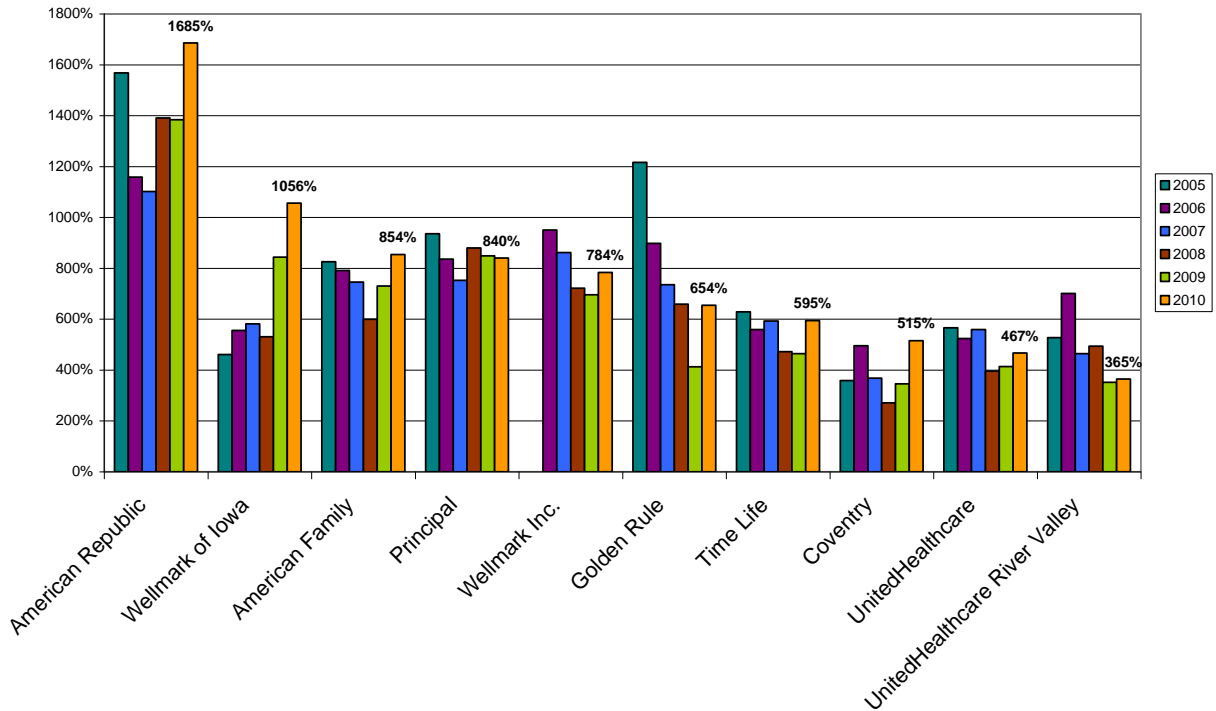
A complete set of data can be found in *Appendix E*.

We have included not only the capital and surplus, but also the risk-based capital (“RBC”). RBC is a measure developed by the NAIC that measures a company’s capital compared to some of its risk.



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

### Risk Based Capital 2005 - 2010



As a generality, falling RBC is an indication of losses in a company and rising RBC is an indication of profits in a company.



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The following table shows the RBC percentages for 2010.

<b>Company</b>	<b>2010 RBC</b>
American Republic	1685%
Wellmark of Iowa	1056%
American Family	854%
Principal	840%
Wellmark Inc.	784%
Golden Rule	654%
Time Life	595%
Coventry	515%
UnitedHealthcare	467%
UnitedHealthcare River Valley	365%



## Medical Trends

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

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: (*See Appendix F*)

Company Reported Service (Standardized Category)	# of Occurrences		# of Companies	
	Decrease	Increase	Decrease	Increase
Ambulance	1		1	
Anesthesia	1		1	
Benefit Changes	2		1	
Chemotherapy	1		1	
Cost Shifting - Medicare		2		1
Deductible Leveraging		2		1
Diagnostic Imaging & Tests	1		1	
Dialysis		2		2
Emergency Room	1	2	1	2
Equipment and Supplies		2		1
Inpatient Hospital	9	8	5	5
Laboratory and X-ray	1	4	1	3
Medical Technology		2		1
Other	9	5	5	4
Outpatient Hospital	3	6	2	4
Physician	18	16	7	7
Population Change		3		1
Prescription Drug	5	8	3	6
Preventative		6		3
Radiology	2	3	2	3
Rehab	1	1	1	1
Skilled Nursing Facilities	2	1	2	1
Surgery	2	7	2	3
Therapy	3		3	
Underwriting Wear-off		1		1



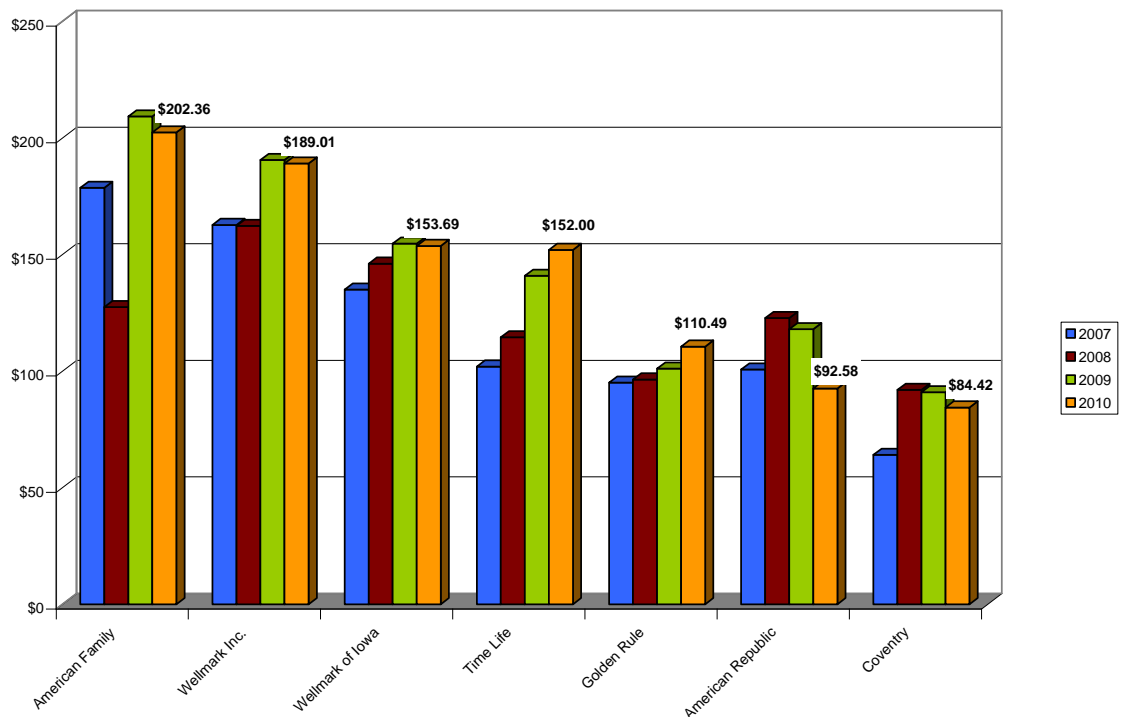
## Additional Data – PMPM Costs

- f. 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 data can be found in *Appendix G*.<sup>10</sup>

Information was requested from carriers of per-member-per-month (“PMPM”) health care cost by market segment. Many factors affect the PMPM costs such as wide variation on benefit design, reduced comparability. That said, PMPM costs do provide some insight into affordability of health insurance in Iowa, because higher PMPM health care costs result in higher health insurance premiums. Note, only 2010 dollar values are shown for readability.

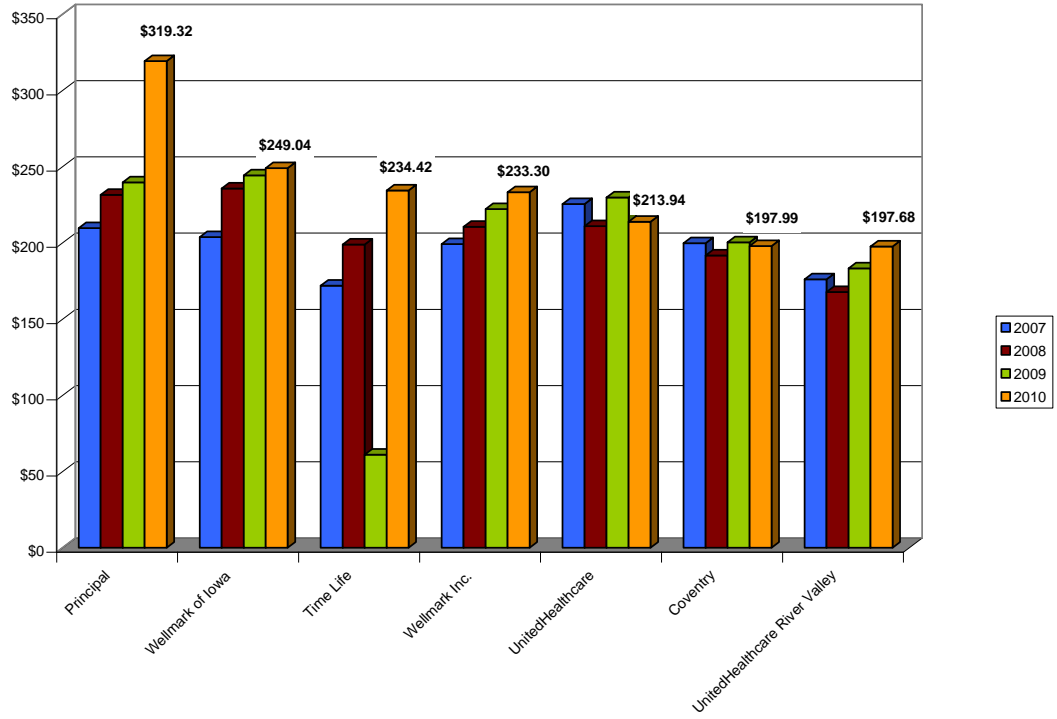
**ICCM PMPMs 2007-2010**



<sup>10</sup> The PMPM values shown in the following charts refer to 2010 PMPMs for each company.



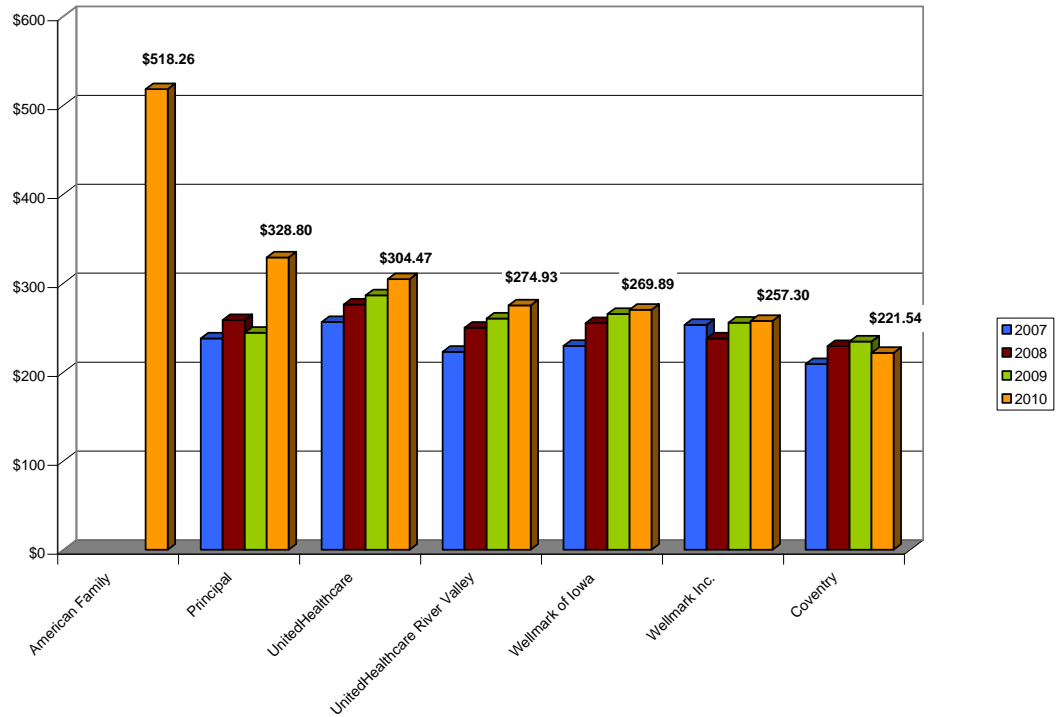
### Small Group PMPMs 2007-2010







### Large Group PMPMs 2007-2010



## Recommendations

**g. Recommendations made by the work group convened pursuant to section 505.8, subsection 18.**

For the data request the State may want to consider:

- 1) For the cost drivers of premiums, we would suggest standard categories. We are providing a suggestion for categories below as a sample, but more thought should be given to the desired categories. Categories may need to be expanded to ensure that all dollars have a category or they may need to be contracted to allow for readability of results One possible set of categories would be:
  - a. Population change
  - b. Skilled Nursing Facility
  - c. Inpatient Hospital (utilization and cost could be separated)
    - i. Surgery



- ii. Mental health and chemical dependency
  - iii. Maternity
  - iv. Other
- d. Outpatient Hospital (utilization and cost could be separated)
  - i. Surgery
  - ii. Mental health and chemical dependency
  - iii. Maternity
  - iv. Other
- e. Ambulance
- f. Emergency room
- g. Outpatient Emergency
- h. Therapy
- i. Equipment and Supplies
- j. Prescription drugs
- k. Non-Prescription drugs
- l. Preventative services
- m. Rehabilitation services
- n. Physician (utilization and cost could be separated)
  - i. Anesthesia
  - ii. Inpatient
    - 1. Surgery
    - 2. Mental health and chemical dependency
    - 3. Other
  - iii. Outpatient
    - 1. Surgery
    - 2. Mental health and chemical dependency
    - 3. Other
- o. Diagnostic Imaging & Tests
- p. Laboratory
- q. Radiology
- r. Dialysis
- s. Other



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- 2) NovaRest also recommends that a standard set of health service categories and of incurred claims be provided to make comparison more straight forward. Incurred claims could be defined in the same way as the Department of Health and Human Services' definition for the rebate calculation under federal health insurance reform.
- 3) It would also be useful to provide pre-defined non-claim cost categories to make answers more comparable.



Appendix A: Member Months

Company	ICCM Member Months			
	2007	2008	2009	2010
Wellmark Inc.	1,197,219	1,172,909	1,077,312	1,200,356
Wellmark of Iowa	118,778	160,328	197,953	300,961
Time Life	255,195	218,310	162,324	152,607
Golden Rule	137,055	133,303	123,258	138,052
Coventry	64,089	55,047	53,212	85,183
American Republic	39,471	27,109	25,749	34,820
American Family	43,255	51,649	31,034	25,653

Company	Small Group Member Months			
	2007	2008	2009	2010
Wellmark Inc.	1,662,756	1,766,840	1,692,047	1,560,992
UnitedHealthcare River Valley	251,458	255,329	305,305	557,818
Wellmark of Iowa	398,654	359,205	346,085	321,169
UnitedHealthcare	205,456	165,548	125,151	168,874
Coventry	80,574	72,875	66,857	118,422
Principal	205,436	143,676	113,021	76,066
Time Life	5,837	3,967	14,244	11,415

Company	Large Group Member Months			
	2007	2008	2009	2010
Wellmark Inc.	3,465,161	3,094,190	3,092,585	3,283,418
Wellmark of Iowa	1,156,289	1,158,913	679,147	726,962
Coventry	532,620	437,650	437,264	455,966
UnitedHealthcare River Valley	622,396	567,022	513,630	344,566
Principal	320,635	202,248	185,647	165,851
UnitedHealthcare	245,322	238,667	137,085	151,629
American Family				498



## Appendix B: Loss Ratios

Company	ICCM Loss Ratios			
	2007	2008	2009	2010
Wellmark of Iowa	82%	86%	88%	87%
Wellmark Inc.	80%	83%	95%	86%
Time Life	78%	74%	95%	80%
American Family	68%	50%	65%	80%
Coventry	51%	69%	65%	65%
Golden Rule	63%	60%	57%	63%
American Republic	49%	55%	52%	38%

Company	Small Group Loss Ratios			
	2007	2008	2009	2010
Time Life	76%	73%	41%	99%
Principal	91%	90%	83%	90%
Wellmark Inc.	86%	88%	88%	84%
Coventry	79%	76%	83%	82%
UnitedHealthcare River Valley	81%	76%	83%	79%
Wellmark of Iowa	82%	85%	80%	73%
UnitedHealthcare	85%	81%	83%	72%

Company	Large Group Loss Ratios			
	2007	2008	2009	2010
American Family				99%
Wellmark Inc.	88%	92%	94%	89%
UnitedHealthcare	82%	84%	88%	85%
UnitedHealthcare River Valley	82%	87%	85%	84%
Wellmark of Iowa	85%	89%	91%	84%
Coventry	81%	86%	83%	81%
Principal	86%	90%	81%	75%



## Appendix C: Rate Increases

Company	ICCM Rate Increases			
	2007	2008	2009	2010
Time Life	22%	22%	24%	25%
American Family	22%	23%	21%	25%
Wellmark Inc.	5%	6%	9%	20%
Wellmark of Iowa	5%	6%	9%	20%
American Republic	19%	15%	15%	15%
Coventry	12%	8%	15%	12%
Golden Rule	12%	15%	13%	7%

Company	Small Group Rate Increases			
	2007	2008	2009	2010
Time Life	16%	15%	16%	30%
Wellmark Inc.	8%	12%	17%	20%
Wellmark of Iowa	8%	12%	17%	20%
Principal	15%	19%	19%	11%
Coventry	7%	3%	13%	8%
UnitedHealthcare River Va	1%	2%	0%	7%
UnitedHealthcare	16%	-2%	6%	6%

Company	Large Group Rate Increases			
	2007	2008	2009	2010
Coventry	5%	8%	14%	17%
Wellmark Inc.	4%	5%	9%	15%
Wellmark of Iowa	4%	5%	9%	15%
UnitedHealthcare	11%	5%	-1%	8%
UnitedHealthcare River Va	3%	7%	6%	6%
Principal	13%	10%	11%	1%



## Appendix D: Ranking of Changes Increase

### Increases

American Family		
1	Surgery	\$89,105
2	Radiology	\$223,683
3	Laboratory	\$216,319
4	Injection	\$119,788
5	EKG	\$17,832

American Republic		
1	Radiology	\$54,384
2	Other	\$25,114
3	Laboratory	\$23,892
4	Injection	\$250,391
5	Doctor Office	\$62,158

Time Life - ICMM		
1	Underwriting Wear-off	\$490,000
2	Medical Technology	\$250,000
3	Increase in Utilization	\$740,000
4	Deductible Leveraging	\$990,000
5	Cost Shifting - Low Medicare Reimbursement	\$490,000
6	Attained Age	\$740,000
7	Anti-Selective Lapse	\$740,000

Time Life - Small Group		
1	Medical Technology	\$26,758
2	Deductible Leveraging	\$91,895
3	Cost Shifting - Low Medicare Reimbursement	\$56,627
4	Anti-Selective Lapse	\$299,147

Coventry		
1	Outpatient Surgical Procedures ASC Group 09	\$686,069
2	Outpatient Surgical Procedures ASC Group 04	\$146,446
3	Outpatient Radiology Other Radiology Radiation & Oncology	\$277,128
4	Outpatient Drugs/Injectibles Drugs	\$254,218
5	Outpatient Cardiovascular	\$631,701
6	Outpatient Cardiac Cath 0	\$153,111
7	Inpatient Skilled	\$151,746
8	Inpatient Obstetrics Other Maternity	\$170,265
9	Inpatient Medical/Surgical Surgical	\$584,967
10	Inpatient Cardiovascular Angioplasty	\$143,003

Golden Rule		
1	Preventive Care/Routine Services	\$47,594
2	Preventive Care/Routine Office Visits	\$49,594
3	Preventive Care/Routine Mam/PSA/PAP/HPV	\$65,783
4	Preventive Care/Routine Childhood Immunizations	\$39,341
5	Physician/Other	\$67,578
6	Physician/Office Visits	\$85,774
7	Other/Other Medical Supplies	\$59,950
8	Other/DME/Prosthetics	\$61,701
9	Facility/Skilled Nursing Facility	\$99,079
10	Facility/Inpatient Facility	\$1,550,850



**Increases (cont)**

<b>UnitedHealthcare</b>		
1	PH - REHAB SERVICES	\$77,155
2	PH - LAB & PATH SERVICES	\$82,499
3	PH - OUTPATIENT SURGERY	\$89,129
4	PH - IMMUNIZATIONS	\$122,336
5	OP - DIALYSIS	\$147,943
6	OP - LAB & PATH - FACILITY BASED	\$202,429
7	OP - EMERGENCY ROOM	\$266,875
8	OP - Misc OP Facility	\$281,006
9	PH - PHYSICIAN VISITS	\$432,854
10	OP - OUTPATIENT SURGERY	\$780,337

<b>UnitedHealthcare River Valley</b>		
1	RX - Disease-Modifying AntiRheumatics	\$564,527
2	PH - Surgery	\$474,825
3	PH - PHYSICIAN VISITS	\$907,542
4	PH HCPC	\$575,227
5	OP Dialysis	\$748,755
6	OP - Misc OP Facility	\$609,182
7	OP - OUTPATIENT SURGERY	\$1,412,251
8	OP - EMERGENCY ROOM	\$589,483
9	IP MED/SURG/ICU	\$621,924
10	IP - MATERNITY/NEWBORN	\$948,457

<b>Wellmark</b>		
1	Practitioner Outpatient allowed per service	\$5,213,829
2	Practitioner Office utilization	\$4,806,431
3	Practitioner Office allowed per service	\$1,616,590
4	Practitioner Inpatient allowed per service	\$559,089
5	Outpatient utilization	\$13,643,503
6	Outpatient allowed per service	\$4,091,317
7	Home Health utilization	\$411,732
8	Drug utilization	\$2,960,137
9	Drug allowed per script	\$9,183,794
10	Acute Inpatient allowed per admission	\$17,786,829

<b>Wellmark of Iowa</b>		
1	Practitioner Outpatient allowed per service	\$1,656,246
2	Practitioner Office utilization	\$3,552,661
3	Practitioner Inpatient utilization	\$341,780
4	Practitioner Inpatient allowed per service	\$632,754
5	Outpatient utilization	\$3,332,813
6	Outpatient allowed per service	\$1,210,085
7	Inpatient admissions	\$601,347
8	Drug utilization	\$1,733,839
9	Drug allowed per script	\$908,025
10	Acute Inpatient allowed per admission	\$3,374,381





**Decreases**

<b>American Family</b>		
1	Therapy	-\$41,180
2	Specialty Drug	-\$238,975
3	Doctor Visit	-\$71,730
4	Chemotherapy	-\$26,980
5	Air Ambulance	-\$26,958

<b>American Republic</b>		
1	Therapy	-\$2,347
2	Surgery	-\$13,730
3	Misc Hospital	-\$33,821
4	Anesthesia	-\$462,732

<b>Time Life - ICMM</b>		
1	Policy Benefit Buy-Down	-\$740,000

<b>Time Life - Small Group</b>		
1	Movement to leaner benefits	-\$388,408

<b>Coventry</b>		
1	Physician Specialist Surgical Specialist	-\$489,899
2	Physician Specialist Radiology	-\$272,017
3	Physician Specialist Medical Specialist	-\$1,236,634
4	Physician Specialist Anesthesia	-\$258,910
5	Physician Specialist Ancillary Providers	-\$1,296,232
6	Physician Primary Care Pediatrician	-\$337,469
7	Physician Primary Care Family Practice	-\$598,832
8	Outpatient Other Outpatient Services Observation	-\$282,921
9	Outpatient Other Outpatient Services Dialysis	-\$445,771
10	Inpatient Gastroenterology NICU Level IV	-\$1,343,530

<b>Golden Rule</b>		
1	Prescription Drug Card/Retail Pharmacy	-\$268,664
2	Prescription Drug Card/Medco Data (Copay Plans & Discount Card)	-\$6,849
3	Physician/Spine & Back Disorder	-\$1,437
4	Physician/Diagnostic Testing-Other	-\$55,906
5	Physician/Diagnostic Testing-Office/Clinic	-\$157,655
6	Other/Radiation/Chemotherapy	-\$19,351
7	Other/Physical Therapy	-\$23,749
8	Other/Other	-\$19,701
9	Facility/Outpatient Facility	-\$173,240
10	Facility/Emergency Room	-\$62,382



**Decreases (cont)**

<b>UnitedHealthcare</b>		
1	PH - SURGERY	-\$111,190
2	PH IP VISITS	-\$25,381
3	PH CARDIOVASCULAR	-\$34,391
4	OP - Home Health	-\$95,081
5	OP - FREESTANDING CLINICAL LAB	-\$79,454
6	OP - RADIOLOGY SERVICES	-\$81,424
7	IP - REHABILITATION	-\$100,393
8	IP NICU/EXTENDED STAY	-\$215,813
9	IP - MH/SA INPATIENT	-\$23,598
10	IP MED/SURG/ICU	-\$1,040,165

<b>UnitedHealthcare River Valley</b>		
1	RX - Unclassified/Miscellaneous	-\$268,647
2	RX - Antihistamine Drugs	-\$83,669
3	PH - Other	-\$69,965
4	PH - Non-Inv Vascular Diag	-\$52,186
5	PH IP VISITS	-\$58,733
6	PH CARDIOVASCULAR	-\$46,577
7	OP - Home Health	-\$163,948
8	OP - RADIOLOGY SERVICES	-\$754,852
9	IP Transplant	-\$43,415
10	IP NICU/EXTENDED STAY	-\$585,761

<b>Wellmark</b>		
1	Skilled Nursing Facility utilization	-\$242,705
2	Practitioner Outpatient utilization	-\$2,669,758
3	Practitioner Inpatient utilization	-\$377,060
4	Other	-\$897,143
5	Inpatient admissions	-\$8,663,711
6	Home Health allowed per case	-\$212,367

<b>Wellmark of Iowa</b>		
1	Skilled Nursing Facility allowed per day	-\$107,153
2	Practitioner Outpatient utilization	-\$2,071,923
3	Practitioner Office allowed per service	-\$342,703
4	Other	-\$847,983
5	Home Health allowed per case	-\$221,695



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## Appendix E: Risk-Based Capital

Company	2005	2006	2007	2008	2009	2010
American Republic	1568%	1159%	1102%	1391%	1383%	1685%
Wellmark of Iowa	461%	555%	582%	531%	844%	1056%
American Family	826%	791%	746%	600%	730%	854%
Principal	936%	836%	752%	880%	849%	840%
Wellmark Inc.		950%	862%	722%	696%	784%
Golden Rule	1216%	898%	735%	659%	413%	654%
Time Life	629%	559%	592%	472%	465%	595%
Coventry	358%	495%	368%	271%	345%	515%
UnitedHealthcare	566%	524%	559%	396%	413%	467%
UnitedHealthcare River Valley	527%	701%	464%	494%	352%	365%



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## Appendix F: Medical Trends

Below are the medical trends from 2006 to 2010. Neither American Family nor American Republic provided their trends by service category.

Golden provided a complete answer last year however this year their comment for question number five was:

“Since our IA membership is small, any trend analysis specific to particular procedures or services would be deemed non-credible. However, medical insurance has historically been subject to cost factors beyond pure price inflation. Increased utilization, deductible/copay leveraging, changes in technology and services, and the wear-off of underwriting have always played a role in creating medical insurance premium trends that are greater than overall medical inflation. In addition, particular blocks will experience different trends based on the overall changes in insured demographics, benefit selection options, and underwriting procedures.”

Principal was also not able to provide data by service category. Their response was:

“Pricing for Principal is completed on aggregate claims for the block, rather than key indicators (inflators or deflators). Since we don’t price our business in this matter, we have verified with our data area whether we have accurate and specific about increases or decreases in technology or other cost areas. As we discussed on October 6th, you do not want information provided that is not accurate or it is incomplete. Below are the some examples of why any information provided might not meet your standard of accurate and complete.

For new procedures and technologies, billings from providers come in general CPT codes. For example, if CPT code is 29999, the "99" reflects that this is general. These codes include both old and new technologies, so it is impossible to split the data. It is common that for many months after the technology is in the market the coding is generic, and the data is not identifiable. Another example is facility billings, when charges are aggregated instead of provided line by line of service. The data is not identifiable either. “

United Healthcare Plan of the River Valley and United HealthCare Insurance Company have both changed their categories.



We have included the categories from last year's report for comparison purposes. Only the carriers providing data are included.

<b>American Family</b>					
<b>Service Category</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Specialty drug			18%	10%	
Radiology			13%	8%	

<b>American Republic</b>					
<b>Service Category</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Specialty drug	55%	6%	-20%	1%	
Radiology	12%	20%	1%	-2%	

<b>Coventry</b>					
<b>Service Category</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Anesthesia costs due to increased pain mgt therapy				11%	
Cancers			33%		
Chemotherapy and other infusions				39%	
Dialysis		12%			
Increased level of ER acuity from Level 1,2,3 to 4,5				25%	
Musculoskeletal--increased implant costs			15%		
NICU costs				225%	
Observation costs due to more testing performed				24%	
Inpatient medical/surgical costs					5%
Outpatient cardiovascular					121%
Drugs & Injectable costs					109%



<b>Golden Rule</b>					
<b>Service Category</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Pharmacy - Antineoplastic Agents - Unit Cost	19%	25%	17%	57%	
Outpatient - Emergency Room - Unit Cost	10%	10%	14%	9%	
Inpatient - Musculoskeletal; Connective Tissue - Utilization	38%	26%	3%	16%	
Outpatient - Outpatient Surgery - Unit Cost	-5%	4%	11%	10%	
Physician - Hematology and Oncology - Unit Cost	16%	10%	-10%	56%	
Physician - Pathology - Utilization	13%	23%	14%	40%	

<b>Time Insurance Company Individual<sup>11</sup></b>					
<b>Service Category</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
PMPM Claims	29%	14%	13%	23%	7%
Attained Age	3%	3%	3%	3%	3%
Medical Technology	1%	1%	1%	1%	1%
Underwriting Wear-off		1%	3%	1%	2%
Deductible Leveraging	2%	2%	2%	2%	4%
Cost Shifting	7%	7%	7%	7%	2%

<b>Time Insurance Company Small Group</b>					
<b>Service Category</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
PMPM Claims	4.2%	10.8%	12.3%	11.3%	9.8%
Benefit Buy-Down		7.6%	9.2%	13.1%	N/A
Medical Technology	1%	1%	1%	1%	1%
Deductible Leveraging	3.3%	3.3%	3.3%	3.3%	3.5%
Cost Shifting	7.3%	7.3%	7.3%	7.3%	2.1%

<sup>11</sup> Time Insurance Company provided percentage of increase over previous year for individual and small group.



<b>United HealthCare River Valley</b>					
<b>Service Category</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Physician - Chemotherapy - Unit Cost	43%	6%	16%	6%	23%
Outpatient - Emergency Room - Unit Cost	9%	13%	11%	18%	
Outpatient - Outpatient Surgery - Unit Cost	4%	-12%	7%	14%	
Dialysis					122%
Other					23%



<b>United HealthCare<sup>12</sup></b>					
<b>Service Category</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Pharmacy - Antineoplastic Agents - Unit Cost	19%	25%	17%	57%	
Outpatient - Emergency Room - Unit Cost	10%	10%	14%	9%	
Inpatient - Musculoskeletal; Connective Tissue - Utilization	38%	26%	3%	16%	352%
Outpatient - Outpatient Surgery - Unit Cost	-5%	4%	11%	10%	
Physician - Hematology and Oncology - Unit Cost	16%	10%	-10%	56%	
Physician - Pathology - Utilization	13%	23%	14%	40%	35%
Prescription Drug					25%
Home Health					43%
Dialysis					120%
Inpatient-Endocrine, Nutritional and Metabolic					168%
Urology					35%

<b>Wellmark of Iowa</b>					
<b>Service Category</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Practitioner	11%	8%	9%	5%	3.36%
Acute Inpatient Facility	10%	4%	13%	-3%	7.67%
Outpatient Facility	10%	2%	13%	13%	5.44%
Drug	7%	5%	8%	11%	3.96%

<b>Wellmark, Inc.</b>					
<b>Service Category</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Acute Inpatient Facility	6%	2%	4%	2%	2.92%
Drug	4%	0%	3%	8%	3.32%
Outpatient Facility	7%	5%	7%	10%	3.90%
Practitioner	8%	6%	4%	5%	1.38%

<sup>12</sup> Per United Health Care Western Iowa has been excluded because of its minor market





## Appendix G: Additional Data

### I. ICMM, small group, and large group PMPMs, 2005-2010

Company	ICCM PMPM Costs					
	2005	2006	2007	2008	2009	2010
American Family	\$284.57	\$172.62	\$178.61	\$127.43	\$209.21	\$202.36
Wellmark Inc.	\$154.17	\$160.68	\$162.69	\$162.29	\$190.52	\$189.01
Wellmark of Iowa		\$128.59	\$134.97	\$146.07	\$154.66	\$153.69
Time Life	\$69.19	\$89.49	\$101.95	\$114.48	\$140.85	\$152.00
Golden Rule	\$99.00	\$82.25	\$95.04	\$96.41	\$101.08	\$110.49
American Republic	\$94.97	\$106.47	\$100.68	\$122.76	\$117.96	\$92.58
Coventry		\$53.73	\$64.07	\$91.94	\$90.91	\$84.42

Company	Small Group PMPM Costs					
	2005	2006	2007	2008	2009	2010
Principal	\$175.73	\$174.01	\$209.72	\$231.63	\$239.74	\$319.32
Wellmark of Iowa	\$191.71	\$204.35	\$203.86	\$235.77	\$244.40	\$249.04
Time Life	\$100.12	\$117.45	\$172.01	\$199.02	\$61.13	\$234.42
Wellmark Inc.	\$178.07	\$196.93	\$199.25	\$210.67	\$222.28	\$233.30
UnitedHealthcare	\$192.77	\$207.42	\$225.56	\$211.11	\$229.80	\$213.94
Coventry	\$140.83	\$125.08	\$199.89	\$191.74	\$200.43	\$197.99
UnitedHealthcare River Va	\$161.71	\$170.99	\$176.21	\$167.75	\$183.32	\$197.68

Company	Large Group PMPM Costs					
	2005	2006	2007	2008	2009	2010
American Family						\$518.26
Principal	\$223.39	\$231.32	\$237.82	\$258.34	\$244.22	\$328.80
UnitedHealthcare	\$225.14	\$247.13	\$256.24	\$275.86	\$286.19	\$304.47
UnitedHealthcare River Va	\$220.56	\$222.20	\$222.80	\$249.67	\$260.03	\$274.93
Wellmark of Iowa	\$190.74	\$217.15	\$229.32	\$255.04	\$265.18	\$269.89
Wellmark Inc.	\$225.79	\$237.84	\$253.06	\$237.73	\$255.44	\$257.30
Coventry	\$153.53	\$141.94	\$208.83	\$229.09	\$234.24	\$221.54



II. Commissions as a percentage of premium, 2005-2010

Company	Commission as % of Premium					
	2005	2006	2007	2008	2009	2010
Golden Rule	8%	7%	6%	5%	6%	11%
Time Life**	9%	9%	12%	11%	11%	9%
American Republic	12%	10%	10%	9%	8%	8%
UnitedHealthcare River Valley	3%	4%	3%	4%	6%	6%
American Family	6%	7%	7%	7%	6%	5%
UnitedHealthcare	3%	3%	3%	3%	2%	5%
Wellmark Inc.	4%	4%	4%	5%	5%	4%
Principal*	3%	4%	4%	4%	4%	4%
Wellmark of Iowa	3%	3%	3%	3%	4%	3%
Coventry			3%	2%	2%	2%

III. Administrative costs as a percentage of premium, 2005-2010

Company	Admin as % of Premium					
	2005	2006	2007	2008	2009	2010
Time Life	19.0%	19.0%	18.0%	17.0%	19.0%	19.6%
American Family	20.7%	21.7%	20.4%	15.9%	18.0%	17.0%
Golden Rule	14.1%	13.2%	13.2%	13.2%	12.8%	12.4%
UnitedHealthcare River Valley	9.5%	6.6%	11.0%	11.0%	11.0%	11.2%
Principal	9.7%	10.1%	10.9%	10.9%	11.0%	11.1%
Wellmark Inc.	6.0%	9.0%	10.0%	11.0%	9.0%	8.6%
UnitedHealthcare	4.2%	4.9%	6.6%	7.3%	6.2%	7.6%
American Republic	22.0%	22.0%	21.0%	21.0%	20.5%	7.5%
Coventry			3.4%	3.6%	3.5%	6.5%
Wellmark of Iowa	7.0%	6.0%	7.0%	6.0%	6.0%	5.0%



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

American Family						
Factor	2005	2006	2007	2008	2009	2010
Commissions	6%	7%	7%	7%	6%	5%
Administrative	21%	22%	20%	16%	18%	17%

American Republic						
Factor	2005	2006	2007	2008	2009	2010
Commissions	12%	10%	10%	9%	8%	8%
Administrative	22%	22%	21%	21%	21%	8%

Coventry						
Factor	2005	2006	2007	2008	2009	2010
Commissions			3%	2%	2%	2%
Administrative			3%	4%	3%	5%
Premium Taxes			1%	2%	2%	2%

Golden Rule						
Factor	2005	2006	2007	2008	2009	2010
Commissions	8%	7%	6%	5%	6%	11%
Administrative	14%	13%	13%	13%	13%	12%

Principal – Small Employers						
Factor	2005	2006	2007	2008	2009	2010
Commissions	4%	4%	5%	5%	5%	5%
Administrative	11%	13%	13%	13%	13%	12%
State Charges	1%	1%	1%	1%	1%	1%
Premium Tax	2%	1%	1%	1%	1%	1%

Principal – Large Employers						
Factor	2005	2006	2007	2008	2009	2010
Commissions	2%	3%	3%	4%	4%	4%
Administrative	9%	7%	9%	9%	9%	9%
State Charges	1%	1%	0%	1%	1%	1%
Premium Tax	2%	1%	1%	1%	1%	1%

Time Life						
Factor	2005	2006	2007	2008	2009	2010
Commissions	9%	9%	12%	11%	11%	9%
Administrative	19%	19%	18%	17%	19%	20%

United Healthcare						
Factor	2005	2006	2007	2008	2009	2010
Commissions	3%	3%	3%	3%	2%	5%
Administrative	4%	5%	7%	7%	6%	6%
Premium Taxes	2%	2%	2%	2%	2%	2%

United Healthcare River Valley						
Factor	2005	2006	2007	2008	2009	2010
Commissions	3%	4%	3%	4%	6%	6%
Administrative	10%	7%	11%	11%	11%	9%
Premium Taxes	1%	1%	1%	1%	1%	
Assessments	1%	1%	1%	1%	2%	
Defined Expenses Incurred for Health Care Quality						1%
Claims adjustment expenses						1%

Wellmark Inc.						
Factor	2005	2006	2007	2008	2009	2010
Commissions	4%	4%	4%	5%	5%	4%
Administrative	6%	9%	10%	11%	9%	9%

Wellmark of Iowa						
Factor	2005	2006	2007	2008	2009	2010
Commissions	3%	3%	3%	3%	4%	3%
Administrative	7%	6%	7%	6%	6%	5%



Appendix H: Health Care Cost Category Standardization

Original Service	Standard Name
Acute Inpatient allowed per admission	Inpatient Hospital
Air Ambulance	Ambulance
Ambulance	Ambulance
Ambulatory Surgery	Surgery
ANC FREESTANDING CLINICAL LAB	Laboratory and X-ray
ANC - HOME HEALTH	Other
ANC OUTPATIENT SURGERY	Surgery
ANC RADIOLOGY SERVICES	Radiology
Ancillary	Ancillary
Ancillary Ambulance Cost/Case	Ambulance Cost
Ancillary Durable Medical Equipment Cases/1000	Equipment and Supplies
Ancillary Durable Medical Equipment Cost/Day	Equipment and Supplies
Ancillary Hospice Care Cases/1000	Other
Ancillary Prosthetics Cost/Case	Equipment and Supplies
Anesthesia	Anesthesia
Anti-Selective Lapse	Population Change
Attained Age	Population Change
Blood & Blood Products	Equipment and Supplies
Chemotherapy	Chemotherapy
Chiropractic	Chiropractic
Coronary Care Room & Board	Inpatient Hospital
Cost of Ambulance Services	Ambulance Cost
Cost of Emergency Room Services	Emergency Room
Cost of Equipment/Supplies	Equipment and Supplies
Cost of Hospital Room & Board	Inpatient Hospital
Cost of Hospital Room & Board	Inpatient Hospital
Cost of Inpatient Hospital Services	Inpatient Hospital
Cost of Inpatient Hospital Services	Inpatient Hospital
Cost of Inpatient Physician Services	Physician
Cost of Inpatient Surgeries	Surgery
Cost of Miscellaneous Medical Services	Other
Cost of Non-Prescription Drugs	Non-Prescription Drug
Cost of Office Surgeries	Surgery
Cost of Office-Related Radiology Services	Radiology
Cost of Outpatient Facility Services	Outpatient Hospital
Cost of Outpatient Hospital Services	Outpatient Hospital
Cost of Outpatient Medical Services	Outpatient Hospital
Cost of Outpatient Radiology Services (Professional)	Radiology
Cost of Outpatient Surgeries	Surgery
Cost of Prescription Drugs	Prescription Drug
Cost of Preventive Services	Preventative
Cost of Skilled Nursing Facilities	Skilled Nursing Facilities
Cost on Inpatient Surgeries	Surgery
Cost Shifting - Low Medicare Reimbursement	Cost Shifting - Medicare
Decrease in Insured Members from 2008-2009	Population Change
Deductible Leveraging	Deductible Leveraging
Diabetic	Diabetic
Diagnostic Imaging & Tests	Diagnostic Imaging & Tests
Diagnostic Radiology & Nuclear Medicine	Radiology
Dialysis	Dialysis
DME & Supplies	Equipment and Supplies
Doctor	Physician
Doctor Office	Physician
Doctor Visit	Physician
Drug allowed per script	Prescription Drug
Drug Card/Medco Data	Prescription Drug
Drug Utilization	Prescription Drug
EKG	Preventative
Emergency Room	Emergency Room
Emergency, Urgent, Observation Rooms	Emergency Room
Equipment	Equipment and Supplies
Facility/Emergency Room	Emergency Room
Facility/Hospice	Inpatient Hospital
Facility/Inpatient Facility	Inpatient Hospital
Facility/Outpatient Facility	Outpatient Hospital
Facility/Skilled Nursing Facility	Skilled Nursing Facilities
Gmd Ambulance	Ambulance
Home Health	Other
Home Health allowed per case	Other
Home Health utilization	Other
Hosp. Misc.	Other
Hospice	Other
Immunization	Preventative
Increase in Insured Members from 2008-2009	Population change
Increase in Utilization	Other



Original Service	Standard Name
Increase Inpatient Acute Cost/Day	Inpatient Hospital
Increase Outpatient Emergency Care Cost/Case	Outpatient Hospital
Injection	Prescription Drug
Inpatient Acute Cost/Day	Inpatient Hospital
Inpatient Acute Days/1,000	Inpatient Hospital
Inpatient Acute Days/1000	Inpatient Hospital
Inpatient Admissions	Inpatient Hospital
Inpatient Cardiovascular Angioplasty	Surgery
Inpatient Gastroenterology NICU Level IV	Inpatient Hospital
Inpatient Medical/Surgical Surgical	Surgery
Inpatient MH/CD Days/1000	MH/CD
Inpatient Obstetrics Other Maternity	Inpatient Hospital
Inpatient Skilled	Inpatient Hospital
Inpatient/Outpatient Physician Visits	Physician
Intensive Care Room & Board	Inpatient Hospital
IP - MATERNITY/NEWBORN	Inpatient Hospital
IP MED/SURG/ICU	Inpatient Hospital
IP NICU/EXTENDED STAY	Inpatient Hospital
IP REHABILITATION	Rehab
IP TRANSPLANTS	Surgery
IP - HOSPICE	Other
IP MED/SURG/ICU	Inpatient Hospital
IP - MH/SA INPATIENT	Inpatient Hospital
IP NICU/EXTENDED STAY	Inpatient Hospital
IP - REHABILITATION	Rehab
IP Angioplasty	Surgery
IP Medical	Inpatient Hospital
IP NICU Level III	Inpatient Hospital
IP NICU Level IV	Inpatient Hospital
IP NICU Level Other	Inpatient Hospital
IP Surgical	Surgery
IP Transplant	Surgery
Laboratory	Laboratory and X-ray
Laboratory and X-ray	Laboratory and X-ray
Laboratory and X-ray & Pathology	Laboratory and X-ray
Mammogram	Preventative
Med Specialist Cardiovascular	Physician
Med Specialist Hematology & Oncology	Physician
Med Specialist Radiology	Radiology
Med. Records	Other
Medical Technology	Medical Technology
Medical/Surgical Room & Board	Inpatient Hospital
Medical/Surgical Supplies	Surgery
Misc Hospital	Inpatient Hospital
Movement to leaner benefits	Benefit Changes
Non Prescription Drugs	Non-Prescription Drug
Nursery Room & Board	Inpatient Hospital
O/P Hosp.	Outpatient Hospital
Observation Room	Other
Obstetrical Room & Board	Inpatient Hospital
Occupational Therapy	Therapy
Office Visits	Physician
OP - EMERGENCY ROOM	Emergency Room
OP - LAB & PATH - FACILITY BASED	Laboratory and X-ray
OP - OTHER	Other
OP - OUTPATIENT SURGERY	Outpatient Hospital
OP - RADIOLOGY SERVICES	Radiology
OP - REHABILITATION	Rehab
OP - AMBULANCE	Ambulance
OP - DIALYSIS	Dialysis
OP - DME; SUPPLIES	Equipment and Supplies
OP - FREESTANDING CLINICAL LAB	Laboratory and X-ray
OP - Home Health	Other
OP - LAB & PATH - FACILITY BASED	Laboratory and X-ray
OP - Misc OP Facility	Outpatient Hospital
OP OUTPATIENT SURGERY	Surgery
OP - RX - FACILITY DISPENSED	Prescription Drug
OP - URGICENTER	Outpatient Hospital
OP ASC Group 02	Outpatient Hospital
OP ASC Group 09	Outpatient Hospital
OP Dialysis	Dialysis
OP Drugs	Prescription Drug
OP ER Level 4	Emergency Room
OP Injectibles	Other
OP Lab General	Laboratory and X-ray



Original Service	Standard Name
OP Observation	Other
Operating Room	Surgery
Other	Other
Other/DME/Prosthetics	Equipment and Supplies
Other/Home Health	Other
Other/Other	Other
Other/Other Medical Supplies	Equipment and Supplies
Other/Physical Therapy	Therapy
Other/Radiation/Chemotherapy	Other
Outpatient allowed per service	Outpatient Hospital
Outpatient Cardiac Cath 0	Surgery
Outpatient Cardiovascular	Physician
Outpatient Drugs/Injectibles Drugs	Prescription Drug
Outpatient Emergency Care Cases/1000	Outpatient Hospital
Outpatient Emergency Care Cost/Case	Outpatient Hospital
Outpatient General Medicine Cases/1000	Outpatient Hospital
Outpatient General Medicine Cost/Case	Outpatient Hospital
Outpatient Other Outpatient Servies Dialysis	Outpatient Hospital
Outpatient Other Outpatient Servies Observation	Outpatient Hospital
Outpatient Radiology Other Radiology Radiation & Oncology	Radiology
Outpatient Rehab Care Cost/Day	Rehab
Outpatient Surgical Procedure Cases/1000	Surgery
Outpatient Surgical Procedure Cost/Case	Surgery
Outpatient Surgical Procedures ASC Group 04	Surgery
Outpatient Surgical Procedures ASC Group 09	Surgery
Outpatient Transplants Covered by Rider Cases/1000	Surgery
Outpatient Utilization	Other
Oxygen	Equipment and Supplies
PCP Pediatrician	Physician
Pediatrics Room & Board	Inpatient Hospital
PH CARDIOVASCULAR	Physician
PH ER	Physician
PH HCPC	Physician
PH IP VISITS	Inpatient Hospital
PH - PHYSICIAN VISITS	Physician
PH - SURGERY	Physician
PH ANESTHESIA	Anesthesia
PH - DIALYSIS	Dialysis
PH - IMMUNIZATIONS	Preventative
PH IP SURGERY	Surgery
PH - LAB & PATH SERVICES	Laboratory and X-ray
PH - Non-Inv Vascular Diag	Physician
PH OFFICE SURGERY	Surgery
PH OP SURGERY	Surgery
PH - Other	Other
PH - PHYSICIAN VISITS	Physician
PH PHYSICIAN VISITS	Physician
PH RADIOLOGY SERVICES	Radiology
PH - REHAB SERVICES	Rehab
PH - Surgery	Surgery
Pharmacy Cases/1,000	Prescription Drug
Pharmacy Cases/1000	Prescription Drug
Pharmacy Cost/Case	Prescription Drug
Phys. Visit	Physician
Physician Anesthesia Cost/Unit	Anesthesia
Physician Anesthesia Units/1000	Anesthesia
Physician Evaluation & Management Units/1000	Physician
Physician Miscellaneous Cost/Unit	Physician
Physician Miscellaneous Units/1000	Physician
Physician Non Evaluation & Management Units/1000	Physician
Physician Primary Care Family Practice	Physician
Physician Primary Care Pediatrician	Physician
Physician Radiology Cost/Unit	Radiology
Physician Specialist Ancillary Providers	Physician
Physician Specialist Anesthesia	Physician
Physician Specialist Medical Specialist	Physician
Physician Specialist Radiology	Physician
Physician Specialist Surgical Specialist	Physician
Physician Surgery	Surgery
Physician Surgery Units/1000	Surgery
Physician/Diagnostic Testing-Office/Clinic	Diagnostic Imaging & Tests
Physician/Diagnostic Testing-Other	Physician
Physician/Office Visits	Physician
Physician/Other	Physician
Physician/Psyche and Substance Abuse	MH/CD



Original Service	Standard Name
Physician/Spine & Back Disorder	Physician
Physician/Surgery	Surgery
Policy Benefit Buy Down	Benefit Changes
Policy Benefit Buy-Down	Benefit Changes
Practitioner Inpatient allowed per service	Physician
Practitioner Inpatient Utilization	Physician
Practitioner Office allowed per service	Physician
Practitioner Office Utilization	Physician
Practitioner Outpatient allowed per service	Physician
Practitioner Outpatient Utilization	Physician
Prescription Drug Card/Medco Data	Prescription Drug
Prescription Drug Card/Medco Data (Copay Plans & Discount Card)	Prescription Drug
Prescription Drug Card/Retail Pharmacy	Prescription Drug
Prescription Drugs	Prescription Drug
Preventive Care/Routine Childhood Immunizations	Preventative
Preventive Care/Routine Mam/PSA/PAP/HPV	Preventative
Preventive Care/Routine Office Visits	Preventative
Preventive Care/Routine Services	Preventative
Preventive Exam	Preventative
Private Duty Nursing	Skilled Nursing Facilities
Psychiatric Room & Board	Inpatient Hospital
Psychotherapy	MH/CD
R/B - Nursery	Inpatient Hospital
R/B-ICU	Inpatient Hospital
R/B-Semi	Inpatient Hospital
Radiation Oncology	Radiology
Radiology	Radiology
Radiology Out	Radiology
Recovery Room	Surgery
Respiratory Therapy	Therapy
Room	Inpatient Hospital
RX - Antihistamine Drugs	Prescription Drug
RX - Disease-Modifying AntiRheumatics	Prescription Drug
RX - Unclassified/Miscellaneous	Prescription Drug
Second Opinion	Physician
Skilled Nursing Facility allowed per day	Skilled Nursing Facilities
Skilled Nursing Facility utilization	Skilled Nursing Facilities
Sleep	Other
Specialist Anesthesia	Anesthesia
Specialty Drug	Prescription Drug
Speech therapy	Therapy
Supplies	Equipment and Supplies
Surgery	Surgery
Therapy	Therapy
Therapy	Therapy
Underwriting Wear-off	Underwriting Wear-off
Utilization of Ambulance Services	Ambulance Utilization
Utilization of Ambulatory Surgical Centers	Surgery
Utilization of Ambulatory Surgical Centers	Surgery
Utilization of Chiropractic Services	Chiropractic
Utilization of Emergency Room Services	Emergency Room
Utilization of Equipment/Supplies	Equipment and Supplies
Utilization of Hospital Room & Board	Inpatient Hospital
Utilization of Inpatient Hospital Services	Inpatient Hospital
Utilization of Inpatient Physician Services	Inpatient Hospital
Utilization of Inpatient Surgeries	Surgery
Utilization of Non-Prescription Drugs	Non-Prescription Drug
Utilization of Office-Related Radiology Services	Radiology
Utilization of Outpatient Hospital Services	Outpatient Hospital
Utilization of Outpatient Radiology Services (Professional)	Radiology
Utilization of Outpatient Radiology Services (Technical)	Radiology
Utilization of Outpatient Surgeries	Surgery
Utilization of Prescription Drugs	Prescription Drug
Utilization of Skilled Nursing Facilities	Skilled Nursing Facilities
Vaccinations	Preventative
X-Ray	Laboratory and X-ray