

Part II-Description of Requested Rate Increase
Wellmark Health Plan of Iowa, Inc.
Individual Health
Effective January 1, 2025

- **Scope and Range of Rate Increase**

Wellmark Health Plan of Iowa (WHPI) has around 500 members in individual pre-ACA plans as of April 2024. The requested average rate increase for these plans is 8.3%, and will be effective January 1, 2025. The rate increase varies by plan, with a low of 5.5% and a high of 8.6%. Subscriber's actual rate changes will vary depending on the benefit plan selected, age of the members on the policy, and dependent coverage.

- **Financial Experience of the Product**

The calculated rate increase for this business is greater than the amount we are actually requesting. Using our requested amount of increase, the projected loss ratio for this product is around 84%. It should be noted that the projected Medical Loss Ratio (MLR) meets the minimum requirement of 80% defined in the ACA. If the actual MLR were to fall below this level (such as if actual claim costs turn out to be lower than expected), Wellmark would pay rebates to members in accordance with the ACA MLR requirements.

- **Changes in Medical Service Costs**

Annual trend of 7.5% was used to project claims from the experience period into the rating period. This trend assumption includes any change in service costs and utilization.

- **Changes in Benefits**

Benefits offered through these products did not change.

- **Administrative Costs and Anticipated Profits**

The main drivers of administrative expenses are employee salaries and benefits, broker and agent commissions, and various governmental taxes and fees. We strive to lower our administrative expenses as a percent of premium, as well as the underlying cost of care, in order to provide the best value to our customers.

For this rate request, risk margin (ie, anticipated profit) is expected to be 3.0%.

The three-year average trends for experience 2016-2023 of the business reviewed ranged from [REDACTED] - [REDACTED]. These trends were adjusted for changes in premium revenue other than rate increases, and there was consideration for the impact of COVID-19 on these historical trends when choosing a trend assumption. Further, prospective factors were considered for changes in provider and pharmacy contracting. A trend assumption of [REDACTED] is being used in the initial calculation of a needed increase. An aging adjustment of [REDACTED] was added to this annual trend to account for the demographic component of annual trend, resulting in an overall [REDACTED] annual paid claims trend assumption.

Certification

I hereby certify to the best of my knowledge and belief that this submission conforms to generally accepted actuarial principles, standards and guidelines and is in compliance with all applicable laws and regulations in the state of Iowa. I further certify that the rates are not inadequate, excessive, unfairly discriminatory or unreasonable in relation to the benefits provided.

Signed:

[REDACTED]

, Wellmark Blue Cross and Blue Shield

Dated:

June 7, 2024

Appendix A

Medical Trends (Direct/Independent and Farm Bureau Business)

For this filing, Wellmark reviewed historical trend experience for Individual Pre-ACA PPO members in Iowa. The tables below show the annualized trends for the period of 2016-2023, and the trends after adjusting for characteristics that are reflected in premiums. Trend values distinguished by an asterisk are considered abnormal due to the impact of COVID-19 in the beginning or end period.

Individual Pre-ACA IA PPO – Paid Claims & Trends

12 Month Time Period	Paid Claims PMPM	Annual Trend	2 Year Annualized	3 Year Annualized
2016	██████			
2017	██████	██████		
2018	██████	██████	██████	
2019	██████	██████	██████	██████
2020	██████	██████	██████	██████
2021	██████	██████	██████	██████
2022	██████	██████	██████	██████
2023	██████	██████	██████	██████

Individual Pre-ACA IA PPO – Trends Adjusted for Changes in Premium

Trend Period Ending		Annual Trend	2 Year Annualized	3 Year Annualized
2017		██████		
2018		██████	██████	
2019		██████	██████	██████
2020		██████	██████	██████
2021		██████	██████	██████
2022		██████	██████	██████
2023		██████	██████	██████

Further, prospective factors were considered for changes in Wellmark’s in provider and pharmacy contracting and initiatives. These factors suppress trends relative to historical levels.

Appendix B

Details of Rate Calculation (Transitional Business)

The table below outlines the details of the experience-rating methodology used to calculate the needed rate increase for non-grandfathered WHPI plans.

1. Current Loss Ratio for 12 months ending 12/31/2023	██████
2. Projected Loss ratio for 2025 rating period	██████
3. Target Loss Ratio for rating period beginning 1/1/2025	██████
4. Calculate Rate Increase Needed [Line 2 divided by Line 3 minus 1]	██████
5. Age Adjustment [Divide (1 + Line 4) by (1 + ██████) for aging]	██████
6. Requested rate increase	██████

- 1) This loss ratio is intended for filing purposes only and not suitable for other comparisons. For instance, the minimum medical loss ratio (MLR) requirement of 80% in the individual market is defined with different criteria and therefore not comparable to the Target Loss Ratios in this filing. Other plans in the individual market (ACA business) are also included in the MLR requirements.
- 2) Due to the lack of credibility in this block of business, rate increases of ██████ and ██████, averaging to ██████, are being requested instead of the ██████ calculated increase.

Appendix C

Appendix C is included with this filing as additional background for informational purposes. Wellmark is not requesting review and approval of this information. It is provided only as further explanation of factors, other than base rates, that may affect members' premiums.

Individual Changes in Premium

Wellmark has filed a request for changes to the base rates used to determine premiums, as required under Iowa law. However, other factors not subject to review and approval may affect an individual's premium. These factors include changes in coverage, including but not limited to changes in benefits, payment obligations (such as deductible, coinsurance and copayments), the number of covered family members, members' ages, changes in tobacco user status, or other factors that require adjustments to the total premium.

Demographics:

Individual health premiums are attained age rated, meaning rates are adjusted periodically as a person gets older. The amount of change can vary, depending on the current age of the individual. For instance, the change can be low (less than 2%) or significantly more for younger ages (as much as 25%).