

**Part II-Description of Requested Rate Increase**  
**Wellmark Blue Cross Blue Shield of Iowa**  
**Individual Health**  
**Effective January 1, 2025**

- **Scope and Range of Rate Increase**

Wellmark, Inc has around 24,500 members in individual pre-ACA plans as of April 2024. The requested average rate increase for all of these plans is 7.0%, 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**

These pre-ACA plans comprise several various blocks of business, with all blocks of business exhibiting current loss ratios above 80%. 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 trends between 6.8% and 7.5% were used to project claims from the experience period into the rating period. This trend assumption includes any change in service costs and utilization. Multi-year trend averages were reviewed to arrive at the assumed trend amounts.

- **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 profits) is expected to be 3%.

**Actuarial Memorandum**  
Wellmark Blue Cross and Blue Shield of Iowa  
Individual Business  
Effective January 1, 2025



**Purpose**

The purpose of this filing is to request a rate increase and document the rates to be revised. The data in this actuarial memorandum describes the methodology and assumptions used to determine this rate request, and may not be appropriate for other purposes.



**Summary:**

The rate revisions requested are for both grandfathered and transitional (AKA grandmothers) business. Rates in this filing are intended to be effective for the time period from January 1, 2025 through December 31, 2025. These rate revisions will apply to all policies in force under the following categories of Individual Business:

**Individual Business Sold Through Direct or Independent Agents**

<b>Category of Business</b>	<b>Rate Adjustment</b>
<ul style="list-style-type: none"><li>• Post-4/96 Products (sold April 1996 and after)<ul style="list-style-type: none"><li>Pool III</li><li>Pool IV</li><li>Pool V</li></ul></li></ul>	
<ul style="list-style-type: none"><li>• Basic and Standard Plans</li></ul>	

**Individual Business Sold Exclusively Through Farm Bureau Federation**

<b>Category of Business</b>	<b>Rate Adjustment</b>
<ul style="list-style-type: none"><li>• Pre-7/96 Products (sold before July 1996)<ul style="list-style-type: none"><li>Pool II</li></ul></li></ul>	
<ul style="list-style-type: none"><li>• Post-7/96 Products (sold July 1996 and after)<ul style="list-style-type: none"><li>Pool III</li><li>Pool IV</li><li>Pool V</li></ul></li></ul>	

## **Policy Experience and Documentation of Proposed Rate Changes**

### ***Direct/Independent Post 4/96 Products (sold April 1996 and after):***

#### **Methodology for Determining Requested Rate Increases (Pool III, IV, V):**

For this business Wellmark has products in three separate blocks of business and independently calculates a needed increase for each block. Many times, and in this filing, these three blocks of business are combined together to increase credibility for determining the needed rate increases. The following steps were followed in determining the requested rate increases:

1. Experience for all policy holders for the 12 months incurred ending 12/31/2023 and paid through 4/30/2024 is reviewed.
2. A completion factor is applied, which adjusts for claims that were incurred but not yet paid during the review period. This completion factor is based on our individual block's experience.
3. Determine an appropriate trend assumption to estimate medical claims payments for the future rating period. We reviewed 1 year, 2 year and 3 year annualized paid claims trends for Iowa Individual Pre-ACA PPO experience from 2016-2023. We adjusted the trends for changes in revenue outside of rate increases to normalize for impacts of an aging block and differences in average benefit levels between periods. [REDACTED]

The annual paid claims trend assumption used in the rate calculations for this filing was [REDACTED]. An aging adjustment of [REDACTED] was added to this annual trend to account for the demographic component of annual trend, resulting in an overall 10.2% annual paid claims trend assumption.

4. Project medical claims (resulting from steps 1, 2 and 3 and applying trend in step 4 from midpoint to midpoint) to simulate the medical claims expected to be paid during the rating period beginning January 1, 2025. Adjustments are made to medical claims to reflect projected pharmacy rebates to be collected and projected ACO payments to be made for the projection period beginning January 1, 2025. A loss ratio is then determined to measure the ratio of projected claims net of pharmacy rebates and ACO payments to premiums at current rates.
5. Review and determine expected non-claims expenses, individual reform assessment, premium taxes, and risk margin for the rating period; this total is subtracted from 1 to determine the target loss ratio.
6. Compare the projected loss ratio (calculated in step 4) to the target loss ratio (calculated in step 5). A needed premium increase is then calculated by dividing the projected loss ratio by the target loss ratio.
7. Adjust the needed premium increase for the rating period due to the income effects of members aging.

8. The calculated needed premium increase varies by pool. For credibility purposes the pools are being combined and the requested rate increase is the same for all Direct/Independent Post 4/96 business.

Historical and projected medical claims trends are shown in Appendix A and a summary of the calculations outlined above are provided in Appendix B of this memorandum.

**Results of Applying the Methodology:**

On April 30<sup>th</sup>, 2024 in Pool III there were [REDACTED] policies in this block, down from [REDACTED] on April 30<sup>th</sup>, 2023 and [REDACTED] on April 30<sup>th</sup>, 2022. The current loss ratio in the experience period is [REDACTED].

On April 30<sup>th</sup>, 2024 in Pool IV there were [REDACTED] policies, down from [REDACTED] on April 30<sup>th</sup>, 2023 and [REDACTED] on April 30<sup>th</sup>, 2022. The current loss ratio in the experience period is [REDACTED].

On April 30<sup>th</sup>, 2024 in Pool V there were [REDACTED] policies, down from [REDACTED] on April 30<sup>th</sup>, 2023 and [REDACTED] on April 30<sup>th</sup>, 2022. The current loss ratio in the experience period is [REDACTED].

When combining all three blocks, the current loss ratio is [REDACTED]. The calculated aggregate increase is [REDACTED]. For credibility and consistent level of increases, the requested increase is the same for Direct/Independent business Pools III, IV, and V.

***Direct/Independent Basic and Standard Plans:***

**Methodology:**

Pursuant to Iowa code Chapter 513C.10 (2), rates for the Individual Basic and Standard plans were to be equivalent to 174.11% of the lowest priced plan adjusted to the benefit level of the Basic and Standard plans for all contracts effective prior to January 1, 2002. This ratio is increased to 202.80% for all new contracts effective January 1, 2002. We included a set of rate tables for each scenario.

For Wellmark Blue Cross Blue Shield of Iowa, our lowest priced plans available for sale after April 1, 1996 are the Farm Bureau plans that have effective dates beginning October 1, 2007. This is a medically underwritten group policy sold exclusively to members of the Iowa Farm Bureau Federation.

**Rate Tables:**

Included are tables listing the rates for each age, sex, and family status category for tobacco users and non-tobacco users separately for the Basic and Standard plans. As stated above, we have included two sets of rate tables – one set priced at 174.11% of the lowest priced plan and one set priced at 202.80% of the lowest priced plan, both adjusted to the benefit level of the Basic and Standard plans.

***Farm Bureau Pre and Post 4/96 Products:***

**Methodology for Determining Requested Rate Increases (Pool II, III, IV, V):**

Wellmark issues products in four separate blocks of business and independently calculates a needed increase for each block. Many times, and in this filing, these four

blocks of business are combined together to increase credibility for determining the needed rate increases. The following steps were followed in determining the requested rate increases:

1. Experience for all policy holders for the 12 months incurred ending 12/31/2023 and paid through 4/30/2024 is reviewed.
2. A completion factor is applied, which adjusts for claims that were incurred but not yet paid during the review period. This completion factor is based on our individual block's experience.
3. Determine an appropriate trend assumption to estimate medical claims payments for the future rating period. We reviewed 1 year, 2 year and 3 year annualized paid claims trends for experience from 2016-2023. We adjusted the trends for changes in revenue outside of rate increases to normalize for impacts of an aging block and differences in average benefit levels between periods. [REDACTED]

[REDACTED]

The annual paid claims trend assumption used in the rate calculations for this filing was [REDACTED]. 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.

4. Project medical claims (resulting from steps 1, 2 and 3 and applying trend in step 4 from midpoint to midpoint) to simulate the medical claims expected to be paid during the rating period beginning January 1, 2025. Adjustments are made to medical claims to reflect projected pharmacy rebates to be collected and projected ACO payments to be made for the projection period beginning January 1, 2025. A loss ratio is then determined to measure the ratio of projected claims net of pharmacy rebates and ACO payments to premiums at current rates.
5. Review and determine expected non-claims expenses, individual reform assessment, premium taxes, and risk margin for the rating period; this total is subtracted from 1 to determine the target loss ratio.
6. Compare the projected loss ratio (calculated in step 4) to the target loss ratio (calculated in step 5). A needed premium increase is then calculated by dividing the projected loss ratio by the target loss ratio.
7. Adjust the needed premium increase for the rating period due to the income effects of members aging.
8. The calculated needed premium increase varies by pool. For credibility purposes the pools are being combined and the requested rate increase is the same for all Farm Bureau Pre and Post 4/96 business. [REDACTED]

Historical and projected medical claims trends are shown in Appendix A and a summary of the calculations outlined above are provided in Appendix C of this memorandum.

**Results of Applying the Methodology:**

On April 30<sup>th</sup>, 2024 in Pool II there was [REDACTED], remaining stable from [REDACTED] on April 30<sup>th</sup>, 2023 and [REDACTED] on April 30<sup>th</sup>, 2022. The current loss ratio in the experience period is [REDACTED].

On April 30<sup>th</sup>, 2024 in Pool III there were [REDACTED] policies, down from [REDACTED] on April 30<sup>th</sup>, 2023 and [REDACTED] on April 30<sup>th</sup>, 2022. The current loss ratio in the experience period is [REDACTED].

On April 30<sup>th</sup>, 2024 in Pool IV there were [REDACTED] policies, down from [REDACTED] on April 30<sup>th</sup>, 2023 and [REDACTED] on April 30<sup>th</sup>, 2022. The current loss ratio in the experience period is [REDACTED].

On April 30<sup>th</sup>, 2024 in Pool V there were [REDACTED] policies, down from [REDACTED] on April 30<sup>th</sup>, 2023 and [REDACTED] on April 30<sup>th</sup>, 2022. The current loss ratio in the experience period is [REDACTED].

When combining all Farm Bureau business, the current loss ratio is [REDACTED]. The calculated aggregate increase is [REDACTED]. For credibility and consistent level of increases, the requested increase of [REDACTED] is the same for Farm Bureau business Pools II, III, IV, and V, [REDACTED]

**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 PPO – Paid Claims & Trends

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

### Individual Pre-ACA PPO – Trends Adjusted for Changes in Premium Other than Rate Increases

Trend Period Ending		Annual Trend	2 Year Annualized	3 Year Annualized
2017		[REDACTED]	[REDACTED]	[REDACTED]
2018		[REDACTED]	[REDACTED]	[REDACTED]
2019		[REDACTED]	[REDACTED]	[REDACTED]
2020		[REDACTED]	[REDACTED]	[REDACTED]
2021		[REDACTED]	[REDACTED]	[REDACTED]
2022		[REDACTED]	[REDACTED]	[REDACTED]
2023		[REDACTED]	[REDACTED]	[REDACTED]



The trends above, and consideration for these prospective factors, led to underlying trend assumptions of [REDACTED]



## Appendix B

### Details of Rate Calculation (Direct/Independent Post 4/96 Business)

The table below provides the derivations resulting from key steps outlined in the methodology for determining requested rate increases for the Post 4/96 business. The corresponding steps are noted in **bold** font.

	Pool III	Pool IV	Pool V	Total
1. Current Loss Ratio for 12 months ending 12/31/2023 ( <b>Result from Step 2 of the methodology</b> )	██████	██████	██████	██████
2. Projected Loss ratio for 2025 rating period ( <b>Result from Step 4 of the methodology</b> )	██████	██████	██████	██████
3. Target Loss Ratio for rating period beginning 1/1/2025 ( <b>Result from Step 5 of the methodology</b> )	██████	██████	██████	██████
4. Calculate Rate Increase Needed [Line 2 divided by Line 3 minus 1] ( <b>Result from Step 6 of the methodology</b> )	██████	██████	██████	██████
5. Age Adjustment [Divide (1 + Line 4) by (1 + ██████) for aging] ( <b>Result of Step 7 of the methodology</b> )	██████	██████	██████	██████
6. Requested rate increase ( <b>Result from Step 8 of the methodology</b> )	██████	██████	██████	██████

- 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 are also included in the MLR requirements.
- 2) For credibility purposes the same rate increase is requested for all Direct/Independent Post 4/96 business.





## Appendix D

**Appendix D 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 approval of an increase 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 and the period of time since the last demographic adjustment occurred. For instance, the change can be low (less than 2%) in situations where the adjustment occurs annually. Other policies, however, have rates that may make this adjustment only once every five years. In these situations, the amount of change between consecutive age bands can be significantly more (as much as 37%) than if the adjustment were made annually.