

**Iowa**  
**Part II - Written Explanation of Rate Increase**  
**Golden Rule Insurance Company**

**Scope and Range of the Rate Increase**

Golden Rule Insurance Company is proposing a rate increase in the state of Iowa for individual market association group products. The requested rate increase is 16.6% and is applicable to all grandfathered and transitional certificates. Additional premium changes may occur due to member aging, changes in plan selection, and changes in geographic location. The rate increase will be effective January 1, 2025 for Generations 1-22 and 25-27, June 15, 2025 for Generation 23, and June 1, 2025 for Generation 24, or as soon thereafter as approval permits. It is projected that there will be 1,055 covered lives impacted by the rate change.

**Financial Experience of the Products**

The financial experience for the most recent three years of experience is shown below.

Calendar Period	Earned Premium	Incurred Claims	Loss Ratio
Mar-21 to Feb-22	8,729,212	7,270,821	83.3%
Mar-22 to Feb-23	7,967,038	5,910,505	74.2%
Mar-23 to Feb-24	7,272,278	5,947,464	81.8%

**Changes in Medical Service Costs**

There are many different healthcare cost trends that contribute to increases in the overall U.S. healthcare spending each year. These trend factors affect health insurance premiums, which can mean a premium rate increase to cover costs. Some of the key healthcare cost trends that have affected this years rate actions include:

- Coverage Mandates: Estimated impacts of changes in benefit design and administration due to the Patient Protection and Affordable Care Act mandates. Direct impacts include the effects of specific changes made to comply with new laws both at the Federal and State level.
- Increasing Cost of Medical Services: Annual increases in reimbursement rates to healthcare providers, such as hospitals, doctors, and pharmaceutical companies, lead to increased healthcare spending.
- Increased Utilization: The number of office visits and other services continues to grow. In addition, total healthcare spending will vary by the intensity of care and use of different types of health services. The price of care can be affected by the use of expensive procedures such as surgery versus simply monitoring or providing medications.
- Higher Costs from Deductible Leveraging: Healthcare costs continue to rise every year. If deductibles and copayments remain the same, a higher percentage of healthcare costs need to be covered by health insurance premiums each year.
- Cost shifting from the public to the private sector: Reimbursements from the Centers for Medicare and Medicaid Services (CMS) to hospitals do not generally cover the cost of providing care to these patients. Hospitals typically make up for this reimbursement shortfall by charging health plans more.
- Impact of New Technology: Improvements to medical technology and clinical practice often result in the use of more expensive services, leading to increased healthcare spending and utilization.

**Administrative Costs and Anticipated Profits**

Golden Rule Insurance Company works to directly control administrative expenses by adopting better processes and technology and developing programs and innovations that make healthcare more affordable. We have led the marketplace by introducing key innovations that make healthcare services more accessible and affordable for customers, improve the quality and coordination of healthcare services, and help individuals and their physicians make more informed healthcare decisions. State and Federal government imposed taxation and fees are significant factors that impact healthcare spending and have to be included in the administrative costs associated with the plans.

A review of our current premium rates indicates that the current rates are not sufficient to cover the expected benefit and administrative costs. The requested rate change is anticipated to be sufficient to cover the projected benefit and administrative costs over the rating period of January 1, 2025 to December 31, 2025.

**Iowa**  
**Actuarial Memorandum**  
**Golden Rule Insurance Company**  
**NAIC: 0707-62286 / FEIN: 37-6028756**

**1. Purpose of Filing**

Following is a rate filing prepared by Golden Rule Insurance Company. This filing is intended solely for the information of and use by the Iowa Insurance Division. It will demonstrate compliance with Iowa laws and regulations related to rate development and is not intended to be used for any other purpose.

The purpose of this rate filing is to file a rate revision to existing individual products in the state of Iowa. This filing establishes the rates intended to be used for Iowa Generation 1-27 products beginning January 1, 2025. The experience on these policy forms reflects continuing increases in medical care costs and increased utilization of medical services. As a result, premium rates at their current level are inadequate to maintain the desired loss ratio.

**2. Requested Rate Action**

This filing proposes a uniform 16.6% rate increase applicable to all medical base plans and medical riders for Iowa Generations 1-27. These are closed blocks of business, and therefore this rate revision only applies to in-force business.

**3. Effective Dates**

The proposed effective date is January 1, 2025 for Generations 1-22 and 25-27, June 15, 2025 for Generation 23, and June 1, 2025 for Generation 24, or as soon thereafter as approval permits.

**4. Policy Form Numbers**

This filing impacts the master policies listed in Appendix A, including riders associated with these forms. These policies were issued to the Federation of American Consumers and Travelers (FACT) in Edwardsville, Illinois for Generations 1-26 and in Jonesboro, Arkansas for Generation 27. Certificates were then issued to individual FACT members in the state of Iowa. The term generation is used to describe a group of master policies that were marketed at the same time.

**5. Description of Benefits**

High Deductible Plans, Copay Plans, Traditional Plans, and HSA Plans are major medical expense certificates sold to individuals and families. Certificates cover a selected percentage of the covered inpatient and outpatient major medical expenses in excess of a selected deductible, up to the selected coinsurance limit, and then 100% of covered expenses thereafter.

Basic, Shared Risk, and Saver Plans are basic medical-surgical certificates sold to individuals and families. Certificates cover a selected percentage of the covered inpatient and catastrophic outpatient expenses in excess of a selected deductible, up to a defined coinsurance limit, and then 100% of covered expenses thereafter.

Deductibles are on a calendar year basis. The HSA deductible is on a family basis, rather than a per-insured basis, if more than one person is covered under the certificate. HSA deductibles may also index annually based on federal tax qualification requirements. When the network option is selected, coverage is reduced for expenses resulting from services rendered by providers that are

not part of the selected network. Under a Copay Plan, certain covered expenses are not subject to the base plan deductible and/or coinsurance but may be subject to a separate deductible and/or copay amount. There are additional limitations and exclusions for some specific services. Optional benefits are also available which affect coverage under the base plan.

These certificates contain a provision for pre-notification of certain listed expenses. If these covered expenses are not pre-notified, benefits will be reduced to 80% of the regular certificate benefits. However, pre-notification does not guarantee benefits.

These certificates also contain a coordination of benefits provision.

**6. Age Basis**

Rates vary on an attained-age basis. Certificates were generally issued for ages 18 to 64.

**7. Renewability**

The certificates are guaranteed renewable as defined by the Health Insurance Portability and Accountability Act of 1996 (HR3103), which was effective July 1, 1997.

**8. Marketing Method**

These certificates are not ACA-compliant and are not available for new business. They were marketed in Iowa from approximately July 1990 to December 2013. Certificates were available through direct marketing and normal Golden Rule brokerage operations, including arrangements for marketing through other carriers who did not have their own individual medical products.

**9. Underwriting**

These certificates were individually underwritten with full medical underwriting, and the impact of underwriting was expected to wear off over time. Selection factors were used to anticipate the effects of underwriting wear-off. By the beginning of the rating period, the effect of underwriting has completely worn off of this block of business.

#### 10. Historical Experience

The experience for these plans has been combined for rating purposes. Experience since inception is shown below.

Calendar Year	Member Months	Earned Premium	Incurred Claims	Loss Ratio
1990-2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024 (Jan-Feb)				
Total				

#### 11. Projected Experience

The anticipated loss ratio over the rating period, with the proposed rate increase, is [REDACTED].

Assumptions:    Persistency                      [REDACTED]  
                         Annual Claims Trend        [REDACTED]  
                         Rate Increase                      16.6% effective January 1, 2025 and later

Period	Dates	Member Months	Earned Premium	Incurred Claims	Loss Ratio
Experience Period	03/01/23 - 02/29/24				
Interim Period	03/01/24 - 12/31/24				
Rating Period	01/01/25 - 12/31/25				

#### 12. Rating Methodology

The experience period is the period from which the data used as the basis of the rating analysis is taken. For this filing, the experience period is March 1, 2023 to February 29, 2024. The rating period is the period over which the proposed rates are assumed to apply. For this filing, the rating period is January 1, 2025 to December 31, 2025.

Claims trend is the annual rate of change in claim costs. It reflects, among other factors, true medical inflation, emerging experience, cost shifting, increased utilization, and deductible leveraging. Claims trend is applied from the experience period to the rating period.

The annual claims trend assumption includes the following components:

Medical Trend                      =        [REDACTED]  
Insurance Trend                    =        [REDACTED]  
Total Trend                         =        [REDACTED]

Past data, various models and business judgment of future economic developments are all used in estimating future trend, and as such, our [REDACTED] trend assumption is reasonable. As part of



Premium	
Claims	
Quality Improvements	
Premium Tax	
PCORI Fee	
Commission	
SG&A	
<b>Pre-Tax Income</b>	
Federal Income Tax	
<b>Profit Margin &amp; Risk Contingencies</b>	

\*Figures may not tally exactly due to rounding of the display.

A general description of each expense item is included below.

- **Quality Improvements:** We anticipate quality improvement of approximately [REDACTED] of premium over the rating period based on past experience.
- **Premium Tax:** The premium tax rate in the state of Iowa is 1.3%.
- **PCORI Fee:** PCORI fees are [REDACTED] per member per month (PMPM) in 2025. For these certificates in the state of Iowa, this is approximately [REDACTED] of premium.
- **Commissions:** We anticipate an average commission rate of approximately [REDACTED] of premium over the rating period based on past experience.
- **SG&A:** SG&A is expected to be [REDACTED] of premium over the rating period. This amount is based on past experience, informed actuarial judgment, and additional guidance from our Finance department.
- **Federal Income Tax:** Income tax is 21% of pre-tax income and is expected to be [REDACTED] of premium over the rating period.

#### 15. **Medical Loss Ratio**

The federal MLR for these certificates over the rating period is anticipated to be [REDACTED]. Golden Rule Insurance Company agrees to comply with the rebate requirements of 45 CFR Part 158 should the actual market MLR fall below the 80.0% requirement.

Claims	
Quality Improvements	
<b>Total MLR Claims</b>	
Premium	
Premium Tax	
Federal Income Tax	
PCORI Fee	
<b>Total MLR Premium</b>	
<b>Federal MLR</b>	

\*Figures may not tally exactly due to rounding of the display.

#### 16. **Premium Classifications**

Premium amounts are determined by plan, type and level of benefits, attained age, gender, original health status, tobacco use, place of residence upon premium due date, and election of optional

benefits. Rate manuals used to calculate the premium amounts for these products have been separately included.

**17. Loss Ratio Standards**

Using the NAIC Guidelines for these certificates, the minimum lifetime loss ratio, considering their renewability provisions, is 55.0%. As shown in Section 10 of this Memorandum as well as on Exhibit 1, the cumulative historical experience has a loss ratio of [REDACTED]. Exhibit 1 indicates an anticipated Lifetime Loss Ratio of [REDACTED].

Golden Rule Insurance Company agrees to comply with the rebate requirements of 45 CFR Part 158 should the actual market MLR fall below the 80.0% requirement. As shown in Section 15, we anticipate a federal MLR of [REDACTED] for these products over the rating period.

**18. Actuarial Certification**

I, [REDACTED], am an Associate Director of Actuarial Services for Golden Rule Insurance Company. I am a member of the American Academy of Actuaries, and I meet the Academy's qualification standards for rendering statements of actuarial opinion with respect to the filing of rates for health insurance products.

To the best of my knowledge and judgment, this rate filing is in compliance with the applicable laws and regulations of your state, and the benefits are reasonable in relation to the premiums charged. In addition, rates are not excessive, inadequate, or unfairly discriminatory. They are prepared in conformity with the applicable Actuarial Standards of Practice (ASOPs).

\_\_\_\_\_  
[REDACTED]  
Associate Director, Actuarial Services

June 10, 2024  
Date