

Wellmark Health Plan of Iowa, Inc.
Individual ACA Compliant Business
Effective January 1, 2026
Rate Filing Justification Part II Memorandum

- **Scope and Range of Rate Increase**

Wellmark Health Plan of Iowa, Inc. (Wellmark) has requested an average rate increase of 12.6% for ACA-compliant policies effective January 1, 2026. Rate increases vary by plan, ranging from 5.3% to 17.6%, and do not include rate changes due to age of the members on the policy. As of March 31st, 2025, there are approximately 83,000 individual members in the pool. Most of the members in the pool are eligible for a premium subsidy and may not experience a post-subsidy rate change within the range above.

- **Financial Experience of the Product**

Wellmark anticipates 2025 experience will be worse than the target loss ratio. Applying the requested rate increases, Wellmark projects a loss ratio of 89% for this block of business in 2026. It should be noted that the projected Medical Loss Ratio (MLR) meets the minimum requirement of 80% defined in the ACA.

- **Changes in Medical Service Costs**

Annual trend of 5.9% was used to project claims from the experience period into the rating period and drives rates up for 2026. This trend assumption includes changes in service costs and utilization.

- **Changes in Benefits**

Plan design changes were made to Wellmark's 2026 product offerings. These changes drive rates down for 2026. Rate changes provided above incorporate the impact of plan design changes.

- **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. Wellmark strives to maintain a low administrative expense as a percent of premium, as well as the underlying cost of care, in order to provide the best value to our customers. With an increase to the Exchange User Fee, larger government fees in 2026 are driving rates up.

- **American Rescue Plan Enhanced Subsidy Expiration**

The enhanced subsidies afforded in the American Rescue Plan are set to expire in 2026. Wellmark anticipates this change will result in worse market risk, driving rates up.

**Wellmark Health Plan of Iowa, Inc.
Individual Major Medical Business
Rate Filing Justification for January 1, 2026
Part III - Actuarial Memorandum and Certification**

GENERAL INFORMATION

Company Identifying Information

Company Legal Name:	Wellmark Health Plan of Iowa, Inc.
State:	Iowa
HIOS Issuer ID:	25896
Market:	Individual
Effective Date:	January 1, 2026

Company Contact Information

Primary Contact Name:
Primary Contact Telephone Number:
Primary Contact Email-Address:



This document contains the Part III Actuarial Memorandum for Wellmark Health Plan of Iowa, Inc.'s individual block of business, effective January 1, 2026. This actuarial memorandum is submitted in conjunction with the Part I Unified Rate Review Template.

The purpose of the actuarial memorandum is to provide certain information related to the submission, including support for the values entered into the Part I Unified Rate Review Template, which supports compliance with the market rating rules and reasonableness of applicable rate increases. This information may not be appropriate for other purposes.

This information is intended for use by the Iowa Insurance Division, the Center for Consumer Information and Insurance Oversight (CCIIO), and their subcontractors to assist in the review of Wellmark Health Plan of Iowa, Inc.'s individual rate filing. However, we recognize that this certification may become a public document. Wellmark makes no representations or warranties regarding the contents of this letter to other users. Likewise, other users of this letter should not place reliance upon this actuarial memorandum that would result in the creation of any duty or liability for Wellmark under any theory of law.

PROPOSED RATE CHANGES

This submission applies only to single risk pool plans for new and renewing individual business effective January 1, 2026.

[REDACTED]. The overall premium weighted average proposed rate change is [REDACTED], with rate changes ranging from [REDACTED] to [REDACTED]. If ARPA enhanced subsidies are extended in their current form into 2026, the average rate change would be [REDACTED]. Detail on the full range of rate changes can be found in the Appendix.

Reason for Rate Changes

The drivers of the average proposed rate change are summarized as follows:

- Impact of experienced and projected medical and drug inflation: [REDACTED]
- Impact of plan design changes: [REDACTED]
- Impact of changes in priced government fees: [REDACTED]
- Impact of changes in priced administrative expenses: [REDACTED]
- Impact of expiration of ARPA enhanced subsidies: [REDACTED]

Proposed rate changes are not the same across all plans. There are unique changes in estimated member cost share and utilization, benefit design changes, and leveraged trends by plan. Further explanation of plan pricing is provided in the *AV Cost Share* section below.

MARKET EXPERIENCE

I. Experience and Current Period Premium, Claims, and Enrollment

The experience period extends from January 1, 2024 through December 31, 2024 for Wellmark Health Plan of Iowa, Inc. single risk pool individual business.

Paid Through Date

The experience period data in the Unified Rate Review Template (URRT) reflects claims paid through April 30, 2025 and estimated completion.

Current Date

Current enrollment and premium are reported as of [REDACTED]

Allowed and Incurred Claims Incurred During the Experience Period

Table 1 provides a breakdown of the allowed and incurred claims during the experience period, as illustrated in Worksheet 1, Section I of the URRT.

Table 1 Summary of Allowed and Incurred Claims			
Item	Processor	Allowed Claims	Incurred Claims
Processed Fee-for-Service (FFS) Claims	Issuer		
	External		
Incurred but Not Paid Claims (FFS)	n/a		
Capitated Claims	n/a		
Total			

There were no capitated claims. Thus, the allowed and incurred claims shown above are summarized from our detailed claim-level historical data. Incurred But Not Paid (IBNP) adjustments were applied to develop fully incurred claim estimates.

Further, pharmacy rebates of [REDACTED] are netted from allowed and incurred claim amounts in the URRT, to arrive at [REDACTED] and [REDACTED] allowed and incurred claims reported, respectively.

The IBNP is calculated using a combination of the development and PMPM method. This involves using a standard completion factor averaging formula, including throwing out the highs and lows, for all incurred months except for the most recent three. For those recent months, we are calculating estimates based on a PMPM basis while also considering other items, such as past completion factors, trend, seasonality, and the number of working days each month. The IBNP is first calculated based on the claims data of all market segments combined and then spread to each market segment separately using the same methodology.

Because the claims experience within this filing is based on incurred 12/paid 16 (4 months runout), the completion factors calculated are developed using standard averaging. No explicit reserve margin was included in the IBNP.

II. Benefit Categories

All claim expense was allocated into the following benefit categories:

- Inpatient Hospital
- Outpatient Hospital
- Professional
- Other Medical
- Capitation
- Prescription Drug

Each claim processed on a fee-for-service basis is assigned to the applicable benefit category from Worksheet 1, Section II of the URRT based on the claim category and a mapping to the URRT benefit categories.

III. Projection Factors

Trend Factors

Annual allowed charge trends of [REDACTED] and [REDACTED] were applied to project medical and drug claims, respectively, from a 2024 to 2026 basis. These trend assumptions were developed to account for known provider and pharmacy contracting updates, and reasonable assumptions for changes in utilization and service mix. These trend assumptions reflect our best estimates for claims trends within these years and we believe that this is within a reasonable range. Specifically, the medical trend of [REDACTED] reflects an assumed cost trend of [REDACTED] and utilization trend of [REDACTED]. The pharmacy trend of [REDACTED] reflects an assumed cost trend of [REDACTED] and utilization trend of [REDACTED].

Adjustments to Trended EHB Allowed Claims PMPM

Morbidity Adjustment

No adjustments were made to the base experience period for changes in morbidity outside of those caused by legislative action or inaction, which are made in the Other adjustment.

Demographic Shift

No adjustments were made to the experience period for changes in demographics outside of those caused by legislative action or inaction, which are made in the Other adjustment.

Plan Design Changes

No adjustments were made to the experience period for plan design changes.

Other Adjustments

An adjustment of [REDACTED] was made to the base experience period due to the expiration of the enhanced subsidies afforded in the American Rescue Plan Act (ARPA). The expiration of ARPA subsidies will result in [REDACTED].

Pharmacy rebates have been netted from the allowed claims, and the drug trends are net of rebates. An adjustment is made to gross rebates to an allowed basis before plan actuarial value factors are applied. Therefore, a pharmacy rebate adjustment of [REDACTED] was applied.

The projected network mix is expected to be equivalent to the network mix in the experience period. A network adjustment factor of 1.000 was applied.

The overall other adjustment is $\blacksquare \times \blacksquare \times 1.000 = \blacksquare$

Manual Rate Adjustments

Due to the volume of experience in the experience period, it was not necessary to develop a manual rate.

Credibility of Experience

The experience period for single risk pool business for Wellmark Health Plan of Iowa, Inc. reflects membership exposure of about \blacksquare . With approximately \blacksquare members as of the end of 2024, the experience period data includes enough volume to be considered fully credible by reasonable credibility procedures and in accordance with Actuarial Standards of Practice (ASOP) #25, *Credibility Procedures*.

Establishing the Index Rate

The Experience Period Index Rate is \blacksquare PMPM; the projection factors described above were then applied to arrive at the Projection Period Index Rate of \blacksquare PMPM, as shown in Worksheet 1, Section II of the URRT.

Development of the Market-wide Adjusted Index Rate

Reinsurance

Wellmark does not expect any reinsurance recoveries in the projection period.

Risk Adjustment Payment / Charge

Wellmark contracted with Wakely Consulting to provide estimated 2024 risk adjustment transfers for Wellmark's individual ACA risk pool in Iowa. This estimate was the basis for our projected 2026 risk adjustment transfer, \blacksquare , an estimated increase to the state average premium and changes to the risk adjustment model. Wellmark is projecting a risk adjustment transfer \blacksquare PMPM.

Wellmark assumes a market receivable of \blacksquare PMPM from the Federal High Cost Risk Pool, based on high claimant data specific to this segment in 2024. Wellmark assumes an assessment of \blacksquare PMPM for the Federal High Cost Risk Pool, based on projections performed by Wakely Consulting. Therefore, the projected risk adjustment \blacksquare PMPM.

The risk adjustment \blacksquare PMPM on an allowed basis is an adjustment to the Projection Period Index Rate to arrive at the Market Adjusted Index Rate; it is reflected on an allowed basis in Worksheet I, Section II of the URRT as \blacksquare PMPM.

Exchange User Fees

Wellmark expects [REDACTED] of members will enroll through the Marketplace. The exchange user fee PMPM was therefore calculated as [REDACTED] of the projected average premium PMPM. This amount was divided by the average paid to allowed ratio, as the adjustment needs to be on an allowed basis. The exchange user fee PMPM on an allowed basis is an adjustment to the Projection Period Index Rate to arrive at the Market Adjusted Index Rate; it is reflected in Worksheet I, Section II of the URRT as [REDACTED] of the Market Adjusted Index Rate.

IV. Plan Adjusted Index Rates

The Plan Adjusted Index Rates are calculated from the Market Adjusted Index Rate above, and are presented in the URRT, Worksheet 2, Section III that accompany this filing.

These rates are calculated as follows:

$$\begin{aligned}
 &\text{Plan Adjusted Index Rate} = \\
 &\text{Market Adjusted Index Rate} \\
 &\times \text{Plan actuarial value and cost sharing adjustment} \\
 &\times \text{Plan network and management adjustment} \\
 &\times \text{Adjustment for additional non-EHB benefits (none in this case)} \\
 &\times \text{Administrative costs, excluding exchange user fees}
 \end{aligned}$$

Table 2 shows the development of Wellmark's Plan Adjusted Index Rates:

[illegible]

AV Cost Share

The AV Cost Share amounts in Table 2 were derived from a pricing model developed using Wellmark 2023 individual and small group allowed claims data. Due to the volume of our existing blocks of business, this data provides a credible basis for determining the cost share amounts for our individual single risk pool. The model calculates paid to allowed claims ratios for each plan in the single risk pool. Since these paid to allowed ratios were calculated using 2023 data, leveraged trend amounts were applied by plan to account for cost share impacts in 2026. Annual leveraged trends were calculated using a linear regression model. The regression model was developed examining the historical modeled paid to allowed ratios from two consecutive years using our pricing model across various plan designs within each metal level.

The AV Cost Share amounts on Silver plans are loaded for the expected additional liability to cover the cost sharing reduction (CSR) subsidies. The same member distribution is by CSR variation is used across Silver plans in the portfolio. [REDACTED]. The [REDACTED]. The paid to allowed ratios are calculated for each CSR variation consistent with the methodology described above, and a weighted average is calculated using the projected distribution by variation within each Silver plan in the portfolio. The CSR load is the difference between the weighted-average paid-to-allowed ratios including the CSR variations and the paid-to-allowed ratio on the Non-CSR variation only, which ranges between [REDACTED], and varies by each Silver plan.

The CSR load was determined using expected enrollment on each Silver plan variation, and the expected paid-to-allowed for each variation. Therefore, the load to premium on the Silver plans is expected to be equal to the actual payments made for the CSR benefits for 2026. The payments made for CSR benefits in 2024 are estimated to be [REDACTED]. This estimate was developed using the AV Calculator results from 2024 plans, in conjunction with actual paid-to-allowed experience for each plan and CSR variation.

Utilization differences due to cost-sharing by benefit design were also taken into account. Using historical ACA data, we created a linear regression model to determine the impact of utilization due to cost-sharing. The data used to create this linear regression model was normalized for demographics, region, and morbidity. By adjusting each member's claims to account for their risk score factor we were able to ensure that the calculated utilization was dependent upon plan design only, and not morbidity. The utilization factors created by this linear regression model were adjusted by the same factor to ensure the average utilization for the projected population is 1.0.

Network

[REDACTED]

Administrative Costs

Administrative Expense

Administrative expenses were developed on a PMPM basis using our 2025 business plan, with adjustments for anticipated changes in 2026, including general expense inflation. Table 3 provides a breakdown of projected administrative expenses for all plans except [REDACTED].

Table 3 Projected Administrative Expenses			
[REDACTED]			
Item		% Premium	
General Administrative Expenses		[REDACTED]	
Commissions		[REDACTED]	
Basic and Standard Assessment		[REDACTED]	
Total		[REDACTED]	

There is an additional administrative cost for [REDACTED]

Table 4 Projected Administrative Expenses	
Item	% Premium
General Administrative Expenses	[REDACTED]
Commissions	[REDACTED]
Basic and Standard Assessment	[REDACTED]
Total	[REDACTED]

Table 5 Projected Administrative Expenses	
Item	% Premium
General Administrative Expenses	[REDACTED]
Commissions	[REDACTED]
Basic and Standard Assessment	[REDACTED]
Total	[REDACTED]

Profit & Risk Margin

Profit and risk load target values were determined for the single-risk pool based on company targets and consideration for federal MLR requirements. [REDACTED]

[REDACTED]. The values entered in Worksheet 2, Section III of the URRT illustrate these values as a percent of the Single Risk Pool Gross Premium Average Rate.

Taxes and Fees

Table 6 provides a breakdown of projected taxes and fees, as illustrated in Worksheet 2, Section III of the URRT.

Table 6 Projected Taxes and Fees			
Item	% Premium		PMPM
Premium Tax			
Risk Adjustment User Fee			
PCORI Fee			
Total			

The combined load for administrative costs is therefore [REDACTED], which equates to the [REDACTED] adjustment ($1/(1 - [REDACTED])$) used in the development of the Plan Adjusted Index Rates above. For the UnityPoint Health Primary Care plans, the administrative costs are [REDACTED] ($[REDACTED] + [REDACTED] + [REDACTED]$) and the adjustment is [REDACTED]. For all other plans, the administrative costs are [REDACTED] ($[REDACTED] + [REDACTED] + [REDACTED]$) and the adjustment is [REDACTED].

V. Calibration

Issuers are allowed to calibrate the Plan Adjusted Index Rates calculated above for age, geography, and tobacco usage. These adjustments were applied uniformly to all plans in the single risk pool.

Age Curve Calibration

The projected average demographic factor for rated members is [REDACTED], which represents an average age of [REDACTED]. The average CMS Allowable Rating Factor for the experience period was [REDACTED]. Wellmark assumes [REDACTED] in the average age from 2024 to 2026. An adjustment was applied to the Allowable Rating Factor to account for the estimated volume of dependents with a \$0 rate. Each Plan Adjusted Index Rate was calibrated by dividing by the projected average demographic factor of [REDACTED].

Geographic Factor Calibration

[REDACTED]. Each Plan Adjusted Index Rate was calibrated by dividing by the projected average region factor of [REDACTED]. The projected average region factor is consistent with the experience period region distribution as stated above.

Tobacco Use Rating Factor Calibration

The projected average tobacco use rating factor of [REDACTED] is based on the distribution of tobacco use in Wellmark's current individual ACA membership and a surcharge of 15 percent. Each Plan Adjusted Index Rate was calibrated by dividing by the projected average tobacco use rating factor of [REDACTED].

VI. Consumer Adjusted Premium Rate Development

The Consumer Adjusted Premium Rate is the final premium rate for a plan that is charged to each individual or family. Each Calibrated Plan Adjusted Index Rate is multiplied by specific allowable rating factors for each consumer to develop the Consumer Adjusted Premium Rate. Family contract premiums are determined by summing the premiums for each individual family member, but only including the premiums for the oldest three dependents under age 21.

$$\begin{aligned} &\text{Consumer Adjusted Premium Rate} = \\ &\text{Calibrated Plan Adjusted Index Rate} \\ &\times \quad \text{CMS Age Factor} \\ &\times \quad \text{Region Factor} \\ &\times \quad \text{Tobacco Status Factor} \end{aligned}$$

Below is the Consumer Adjusted Premium Rate Development for a 40 year old, non-smoker, in region 1 on a [REDACTED] plan:

Plan Adjusted Premium Rate	Calibration	Calibrated Plan Adjusted Index Rate	CMS Age Factor	Region Factor	Tobacco Status	Consumer Adjusted Premium Rate
[REDACTED]	[REDACTED]	[REDACTED]	1.2780	[REDACTED]	[REDACTED]	[REDACTED]

PROJECTED LOSS RATIO

The projected loss ratio based on the federally prescribed MLR methodology is [REDACTED]. The numerator of the projected MLR contains projected claim costs net of receipts from the risk adjustment program. The denominator consists of total premiums, net of premium taxes and regulatory fees.

PLAN PRODUCT INFORMATION

I. AV Metal Levels

Actuarial values and metal levels for all plans included Worksheet 2, Section I of the URRT were developed using the 2026 CMS Actuarial Value calculator (Revised Final 2026 version, as released on March 26, 2025).

II. Membership Projections

Wellmark is anticipating membership to [REDACTED]. Total projected member months for 2026 were based on [REDACTED], and rounded to the nearest thousand.

The projected member distribution amongst the plans, as illustrated in Worksheet 2, Section IV of the URRT, was developed [REDACTED]

For Silver level plans, the projected enrollment by each cost-sharing reduction subsidy level was developed to closely match the membership distribution by CSR level that's represented in the experience period.

III. Terminated Plans and Products

Below is a list of all terminated plans from the experience period.

Plan Name	Product ID	HIOS Identifier	"Mapped to" Plan Name
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

IV. Plan Type

The applicable plan type for each plan has been noted in Worksheet 2, Section I of the URRT.

RELIANCE

In preparing the Part I Unified Rate Review Template (URRT) and Part III Actuarial Memorandum, I have relied on:

- Data provided by Wellmark's Data Analytics department
- Expenses provided by Wellmark's Cost Accounting department
- Data sourced from RATEE reports generated by the EDGE server.
- Risk adjustment analysis and reporting performed by Wakely Consulting.
- The following provided by Wellmark actuarial staff: completion factors, AV Cost Share values, and network relativities. Although I have performed a limited review of the information and have not found it unreasonable or inconsistent, I have relied upon the expertise of those individuals who have developed the assumptions.

To the extent that any information relied upon is incomplete or inaccurate; the contents of the URRT and Actuarial Memorandum may be materially affected.

ACTUARIAL CERTIFICATION

I, [REDACTED], am a member of the American Academy of Actuaries and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

This rate filing has been prepared consistent with the current regulatory and legislative landscape as of June 9, 2025. [REDACTED]

[REDACTED] To the extent that this landscape changes prior to the start of the plan year, these rates may be insufficient or otherwise inadequate, and would need to be re-evaluated.

I hereby certify that the projected index rate is, to the best of my knowledge and understanding:

- In compliance with all applicable State and Federal Statutes and Regulations (45 CFR 156.80 and 147.102)
- Developed in compliance with the applicable Actuarial Standards of Practice, such as:
 - ASOP No. 5, Incurred Health and Disability Claims
 - ASOP No. 8, Regulatory Filings for Health Benefits, Accident and Health Insurance, and Entities Providing Health Benefits
 - ASOP No. 12, Risk Classification
 - ASOP No. 23, Data Quality
 - ASOP No. 25, Credibility Procedures
 - ASOP No. 41, Actuarial Communications
 - ASOP No. 50, Determining Minimum Value and Actuarial Value under the Affordable Care Act
- Reasonable in relation to the benefits provided and the population anticipated to be covered
- Neither excessive nor deficient

I certify that the index rate and only the allowable modifiers as described in 45 CFR 156.80(d)(1) and 45 CFR 156.80(d)(2) were used to generate plan specific premium rates. The allowable modifiers used to generate plan specific premium rates were based on the following:

- The actuarial value and cost-sharing design of the plan.
- Administrative costs, excluding Exchange user fees.

I certify that the benefits included in our plans are substantially equivalent to the Essential Health Benefits (EHBs) in the State of Iowa benchmark plans.

I certify that the 2026 AV Calculator (Revised Final 2026 version, as released on March 26, 2025) was used to determine all of the AV Metal Values shown in Worksheet 2 of the Part I Unified Rate Review Template.

I certify that any geographic rating factors reflect only differences in the costs of delivery (which can include unit cost and provider practice pattern differences) and do not include differences for population morbidity by geographic area.

The Part I Unified Rate Review Template (URRT) is representative of information required by Federal regulation to be provided in support of the review of rate changes, for certification of qualified health plans for Federally Facilitated Exchanges and for certification that the Index Rate is developed in accordance with Federal regulation and used consistently and only adjusted by the allowable modifiers.

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.

The information provided in this actuarial memorandum is in support of the items illustrated in the URRT and does not provide an actuarial opinion regarding the process used to develop proposed premium rates. It does certify that rates were developed in accordance with applicable regulations, as noted.

Differences between the projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.

Signed: _____



, Wellmark Blue Cross and Blue Shield

Dated: _____

APPENDIX

Proposed Rate Change by Component

Renewing Plan			2025 CPAIR	2026 CPAIR	CPAIR Change	March 2025 Premium
Premium Weighted Average						

Region	2025 Region Factor		2026 Region Factor		Region Factor Change		March 2025 Premium	
Region 1								
Region 2								
Region 3								
Region 4								
Region 5								
Region 6								
Region 7								
Premium Weighted Average								

	CPAIR Change		Region Factor Change		Rate Change	
Overall Average						
Minimum						
Maximum						