

Part II: Written Justification of Rate Increase

Iowa Total Care
Annual Individual Health Rate Filing
Iowa
Assuming CSR Subsidies are Unfunded
Effective January 1, 2026
Forms: 48286IA001, 48286IA002

Iowa Total Care is filing rates for the individual block of business, effective January 1, 2026. This document is submitted in conjunction with the Part I Unified Rate Review Template and the Part III Actuarial Memorandum.

This information is intended for use by the Iowa Insurance Division, the Center for Consumer Information and Insurance Oversight (CCIIO), and health insurance consumers in Iowa to assist in the review of Iowa Total Care's individual rate filing.

The results are actuarial projections. Actual experience will differ for a number of reasons, including population changes, claims experience, and random deviations from assumptions.

There is no historical revenue, claims, expenses, or profit to report as Iowa Total Care entered the Iowa individual market on January 1, 2025. The table below lists components of the proposed rate change.

Rating Factor	Rate Change Impact
Demographics & Morbidity	9.1%
Unit Cost Trend	2.0%
Utilization	-1.8%
Non-Benefit Expenses	1.0%
Total	10.26%

The 2026 rates reflect increases to unit cost, changes in administrative expense, and assumptions for the federal risk adjustment program. These factors, as well as changes to the assumed morbidity of the single risk pool especially due to the impending expiration of the enhanced premium tax credits (eAPTCs) and medical trend result in a premium rate increase.

Medical trend, or the increase in health care costs over time, is composed of two components: the increase in the unit cost of services and the increase in the utilization of those services. Unit cost increases occur as care providers and their suppliers raise their prices. Utilization increases can occur as people seek more services than before. Additionally, simple services can be replaced with more complex services over time, which is known as service intensity trend. An example of service intensity trend would be the replacement of an X-ray with an MRI scan. Replacing the service with a more intense service causes the total cost of medical services to increase.

The proposed rate change of 10.26% applies to approximately 7,089 individuals. Iowa Total Care's emerging experience in 2025 shows an overall loss ratio under 80%, but this is expected to deteriorate during the subsequent months to align with the US emerging loss ratio of near 80%. In the absence of a rate increase in 2026, we expect this ratio to far exceed 80% mainly due to both the expiration of eAPTCs and the marketplace integrity proposals from CMS. The projected loss ratio is 80.0% which satisfies the federal minimum loss ratio requirement of 80.0%.

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