

**Wellmark Health Plan of Iowa, Inc.  
Individual ACA Compliant Business  
Effective January 1, 2022  
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 11.1% for ACA-compliant policies effective January 1, 2022. Rate increases vary by plan and region, ranging from 3.8% to 21.0%, and do not include rate changes due to age of the members on the policy. All individual ACA-compliant policies are subject to a rate increase; as of March 31<sup>st</sup>, 2021, there are approximately 32,000 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 2021 experience will exceed the target loss ratio. This worse than expected experience drives rates up for 2022. Applying the requested rate increases, Wellmark projects a loss ratio of 90% for this block of business in 2022. 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 8.5% was used to project claims from the experience period into the rating period and drives rates up for 2022. This trend assumption includes changes in service costs and utilization.

- **Changes in Benefits**

Plan design changes were made to Wellmark's 2022 product offerings. These changes drive rates down for 2022. While plan design changes were not required by law, all plans maintained their existing metallic level. 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 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. Wellmark is pricing a lower administrative expense load as well as a lower risk/profit margin in 2022, thus driving rates down. With a reduction to the Exchange User Fee, lower government fees in 2022 are also driving rates down.