

Wellmark Health Plan of Iowa, Inc. 2021 Pre-ACA Rate Filing Observations

- The 8.7% average rate increase proposal affects the company's pre-ACA (grandfathered and transitional) blocks of business. The rate increase is 8.7% for all benefit plans, however, one plan is receiving a 0.0% (with low membership) thus not affecting the block average. This proposal covers around 1,000 Iowa lives on over 3-million-dollars of Iowa premiums (in 2019).
- For any medical insurance rate increase proposal, the review involves analyzing the carrier's experience (premiums vs. claims), trend (the growth in the cost of the claims caused by unit cost increases along with utilization increases), and other assumptions to determine if the rate increase proposal is actuarially justified. A technically sophisticated analysis with several different models are utilized to gauge the validity and reasonableness of the proposal. The type of analysis utilized, the formulas and methodology, and overall process have developed over a period of many years and have been reviewed by consulting actuaries for completeness and appropriateness.
- Two reviews are conducted to confirm the carrier's proposal. An internal review is conducted by the Insurance Division's health team and another review is independently conducted by a consulting actuary (of our choosing) on a contracted basis. The dual review system has been in place for 12-years. Along with the key observations noted here, we will also post the consulting actuary's written report on our website after the Commissioner issues his ruling.

Key observations from the IID review (using experience originally sent with the filing in June 2019)

- Past loss ratios for this block have averaged nearly 86% over the last 7-years.
- In the absence of a rate increase for calendar year 2021, the IID projects a loss ratio over 95%.
- IID trend models justify a trend rate of least 10 percent based upon a review of the PMPM claims and adjusted loss ratios.
- With the high current loss ratios and the consistent growth of claims, the IID's projected loss ratio is nearly 90% after the 8.7% rate increase is applied.
- After adjustments are made to account for taxes, license, and fees in the federally prescribed medical loss ratio (MLR) formula – the projected MLR is over 93% after the increase is implemented. In the event the MLR dips below 80% with the revised rates (over a 3-year rolling basis), affected Iowans could receive a rebate under Federal law. (This is achieved using a minimum trend – a higher trend is justified)
- The average premium increase is around \$24/ month, i.e., \$296 (2021 projected average premium) less \$272 (current average premium). This is an average based upon all members, all age groups, all benefit plans, all geographic regions, etc.