

**URRT Part II-Description of Requested Rate Increase
Wellmark Blue Cross Blue Shield of Iowa
Individual Health
Effective January 1, 2015**

- **Scope and Range of Rate Increase**

Wellmark, Inc has 9,360 policyholders representing 15,062 members in individual Affordable Care Act (ACA) plans as of May 2014. The requested average rate increase for all of these plans is 14.5%, and will be effective January 1, 2015. The rate increase varies by plan and region, with a low of 6.4% and a high of 18.3%. Subscriber's actual rate changes will vary depending on the benefit plan selected, age of the members on the policy, and dependent coverage.

- **Financial Experience of the Product**

These ACA plans were introduced in 2014, and so as of the time of this rate request, there is only a limited amount of experience data available. Rates for 2015 were therefore based on experience from Wellmark's existing individual business, and projected member movement from the entire insured and uninsured population.

From the little claims experience that was available at the time of this rate request, the claims experience is higher for this business than was projected last year. Therefore the majority of the rate request is due to higher expected claims experience.

The proposed rate increase is expected to produce a medical loss ratio (MLR) of 88.9%. It should be noted that the projected MLR meets the minimum requirement of 80.0% defined in the ACA. If the actual MLR were to fall below this level (such as if actual claim costs turn out to be lower than expected), Wellmark would pay rebates to members as required by the ACA.

- **Changes in Medical Service Costs**

Annual trend of 4.1% was used to project claims from the experience period into the rating period. This trend assumption includes any change in service costs and utilization. Multi-year trend averages were reviewed to arrive at the assumed trend amount.

- **Changes in Benefits**

There are three plans that have changes in their benefits effective with this filing for January 1, 2015.

For CompleteBlue 3500 PPO: the coinsurance changed from 40% to 30%; the out of pocket amounts changed from \$6,250 for single and \$12,500 for family to \$6,600 for single and \$13,200 for family; and the deductible of \$250 was removed from the drug card along with changing the preferred specialty copay from \$70 to \$100.

For myBlue HSA Silver 3200 PPO: members now have benefits after the single deductible is met, and they no longer have to wait until the entire family deductible is met.

For EnhancedBlue 1000 PPO: the preferred specialty copay for the drug card was changed from \$70 to \$100.

- **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. We strive to lower our administrative expenses, as well as the underlying cost of care, in order to provide the best value to our customers.

For this rate request, administrative costs in aggregate have decreased as a percent of premium from the prior rating period. The same holds for anticipated profit, as it was reduced from 3.3% in the prior rating period to 0.0% in the projected rating period. Typically, a nominal margin is needed to help ensure Wellmark's long-term viability.