

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

- **Scope and Range of Rate Increase**

Wellmark Health Plan of Iowa, Inc has 2,177 policyholders representing 3,212 members in individual Affordable Care Act (ACA) plans as of May 2014. The requested average rate increase for all of these plans is 11.9%, and will be effective January 1, 2015. The rate increase varies by plan and region, with a low of 5.9% and a high of 17.5%. 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 88.8%. 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 is one plan that has changes in its benefits effective with this filing for January 1, 2015.

For SimplyBlue 5000 HMO: 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; there are now any 2 office exam occurrences at a \$0 copay instead of 2 primary care office exam occurrences at a \$0 copay; and there is an

inclusion of a drug card with a tier 1 copay of \$15 instead of all drugs applying deductible and coinsurance.

- **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.