

BEFORE THE IOWA INSURANCE DIVISION

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 IN RE: :
 :
 WELLMARK, INC., PROPOSED : Public Hearing
 2015 RATE INCREASE :
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 - - - - - X

Mercy College of Nursing
 Sullivan Center
 928 Sixth Avenue
 Room 210
 Des Moines, IA
 Saturday, August 23, 2014

The above-entitled matter came on for hearing at 10:00 a.m.

BEFORE: NICK GERHART, Commissioner of Insurance

Also Present: ANGEL ROBINSON, ESQ.
 Consumer Advocate
 Iowa Insurance Division
 Two Ruan Center
 601 Locust, Fourth Floor
 Des Moines, IA 50309-3738

JULIANNE LAWRENCE
 Iowa Insurance Division

LAURA JACKSON
 Executive Vice President
 Wellmark
 1331 Grand Avenue
 Des Moines, IA 50309-2901

EILEEN HICKS - CERTIFIED SHORTHAND REPORTER

P R O C E E D I N G S

1
2 THE COMMISSIONER: Well, good morning. I am
3 Nick Gerhart, Commissioner of Insurance for the State
4 of Iowa. We are here, as I said, for the Wellmark
5 proposed rate increase for 2015.

6 The format this morning will be these
7 opening remarks, followed by presentation by Angel
8 Robinson, the consumer advocate for the State of
9 Iowa.

10 Angel, please raise your hand so the people
11 can see you.

12 Thank you.

13 Then we'll have additional public comments,
14 and we'll start in Des Moines, if there are any
15 public comments here. Then we'll go in alphabetical
16 order to Burlington, Council Bluffs, Cedar Rapids
17 Fort Dodge, Mason City, Spencer.

18 Then there will be an opportunity for some
19 brief remarks from the representative from Wellmark,
20 and then I'll have some closing remarks.

21 For anyone interested, the rate filing is
22 under review currently. We believe we'll have a
23 decision on this within the next 30 days.

24 It is being reviewed by outside experts, as
25 well as an internal actuary as well, so we believe

1 we'll have our decision within 30 days.

2 The comment period will be open until we
3 issue our final orders. So I just wanted to make
4 that point very clear.

5 Also we are having the proceeding transcribed.
6 So if you are going to speak, please identify
7 yourself; and then also make sure you speak into the
8 microphone so that we can hear that and the other
9 sites can hear that.

10 So with that, I will go ahead and turn it
11 over to Ms. Angel Robinson for presentation by the
12 consumer advocate for the Iowa Insurance Division.

13 MR. ROBINSON: Good morning, Commissioner
14 Gerhart. Thank you for this opportunity to present
15 on the consumer testimony and comments received in
16 regards to Wellmark, Inc.'s, proposed rate increase.

17 Just as a little background for those
18 individuals who are here today from the members of
19 the public and who may not be as familiar with these
20 sorts of proceedings, Iowa Code, Section 505.19 sets
21 forth procedures for public comment and advance
22 notice whenever a proposed rate increase is submitted
23 to the insurance commissioner that exceeds the average
24 annual health spending growth rate as set aside by CMS.

25 This year I received an announcement in July

1 of 2015 that Wellmark, Inc., for its companies
2 Wellmark Blue Cross/Blue Shield of Iowa and Wellmark
3 Health Plans of Iowa would be having a rate increase
4 proposed of over 6.1 percent.

5 For Wellmark Blue Cross/Blue Shield, the
6 proposed rate increase is 14.5 percent on average;
7 and for Wellmark Health Plan of Iowa, the proposed
8 rate increase will be 11.9 percent on average.

9 As this exceeds the average annual health
10 spending growth rate of 6.1 percent, advanced notice
11 was issued to all affected--proposed affected
12 policyholders and members, as well as the need for
13 this hearing today, to allow for additional comment.

14 As part of my role in this process, I must
15 solicit comments from the public in regards to their
16 feelings and their suggestions in regards to the
17 health insurance increase that's been proposed.

18 This year we received 24 comments from the
19 public, and amongst those there were about five
20 trends that would be noteworthy for you, Commissioner.

21 Sixty-six percent of those comments received
22 dealt with affordability. This is consistent with
23 the past comments received on Wellmark's rate
24 increases and should not be unexpected.

25 Most consumers who testify and submit

1 comments about affordability express that their
2 incomes are fixed or that they are not receiving
3 income increases that are commensurate with the rate
4 increase that is being proposed by Wellmark.

5 Additionally this year we did receive 50
6 percent of our comments in regards to the disparity
7 between the ACA plans and grandfathered plans.

8 There were comments made by members of the
9 public that they felt that they were being penalized
10 by having to pay more of a rate increase than those
11 who were on grandfathered plans or for those members
12 that were going to be the lion's share of Wellmark
13 policyholders; therefore, leading to a disproportionate
14 larger increase for those members.

15 We also had some consumers who commented and
16 were concerned that this is a mandated requirement.
17 We had commenters that noted that because the plans
18 for Wellmark are not part of the marketplace, any
19 increase that is received by these members will not
20 be subsidized by a tax credit and would have to be
21 paid directly by the members.

22 41 percent of the comments received discussed
23 Wellmark's chosen allocation of spending and discussed
24 the need for this rate increase.

25 Multiple commenters noted that Wellmark does

1 have investments and high reserves, and they questioned
2 the need to take this rate increase out when there
3 may be other opportunities to fund and offset some of
4 the expenses that are coming in for claims.

5 Additionally, there were some comments made
6 about chosen discretionary expenditures.

7 Another 41 percent of the comments received
8 asked that the commissioner deny the rate increase.

9 And 5 percent of those who commented had
10 previous health insurance policies with Wellmark and
11 expressed weariness over annual rate increases.

12 Other comments that might be worthy of note
13 were that the rate increases that were suggested this
14 year by Wellmark are coming too soon, as some of the
15 members had recently just taken out policies and
16 within the year they are already receiving a notice
17 of increase of a significant amount.

18 Others have stated they will need to drop
19 their coverage if the rate increase goes through as
20 they will not be able to afford it.

21 And another commenter questioned whether or
22 not this should be denied because it was over the
23 average annual health spending growth rate.

24 Lastly, in summary, these comments just
25 represent the comments that were received as of

1 yesterday. Under Iowa Code 505.19 comments are
2 allowed to be submitted until the commissioner has an
3 opportunity to make his decision. Therefore, any
4 additional comments that will be received will be
5 posted on the rate increase Web site. That can be
6 found at the Iowa Insurance Consumer Advocate Web
7 page of *iainsuranceca.webpress.com*.

8 Do you have any additional questions for me?

9 THE COMMISSIONER: I do not. But I would
10 like to point out--or what I forgot to point out I
11 guess in my opening remarks is this is applicable to
12 the Affordable Care Act, or ACA, plans, and those are
13 the only-- I'm sorry. This rate increase is
14 applicable to the ACA plans, the Affordable Care Act
15 plans. It does not encompass the grandfathered, the
16 transitional plans, small group and large group. So
17 I just want to make that point clear for everybody.

18 So with that, thank you, Angel, for that
19 presentation.

20 I'm going to turn over to see if there are
21 any additional public comments by interested parties.

22 Are there any comments from the folks in Des
23 Moines?

24 (No response.)

25 I will now go to Burlington to see if there

1 are any comments in Burlington?

2 (No response.)

3 Seeing none, I will go to Council Bluffs next.

4 AN UNIDENTIFIED SPEAKER: Nobody in Council
5 Bluffs.

6 THE COMMISSIONER: Thank you, Nate.

7 I will go to Cedar Rapids.

8 Would anyone in Cedar Rapids like to make a
9 comment?

10 (No response.)

11 Okay. I will now go to Fort Dodge. I'm
12 sorry, we'll go back.

13 Cedar Rapids?

14 MR. FRANK: Hello, can you hear?

15 THE COMMISSIONER: I can hear you. Thank you.

16 MR. FRANK: Yeah, I just got this insurance
17 first of July, and now I'm just getting a rate
18 increase. So that was my only question, why so soon,
19 and I'm just now getting it? I mean if it's going to
20 go up that much, I'm going to probably end up dropping it.

21 THE COMMISSIONER: Could you identify
22 yourself, Sir, for our record.

23 MR. FRANK: Yes. Dale Frank, Cedar Rapids.

24 THE COMMISSIONER: Thank you very much.

25 Would anyone else in Cedar Rapids like to

1 make a comment?

2 MS. MALATEK: [Phonetic] Excuse me. I'm Pat
3 Malatek. I live in Ely, just a few miles from
4 Kirkwood, and I just retired in January. One of the
5 questions I had was on this letter we received was
6 that the higher costs because-- This increase was
7 going to be because of higher costs of policyholders in
8 your rating class.

9 Not knowing for sure what that means, it
10 sounds suspiciously like because I'm over 60, or
11 retired, and to me that sounds like an age discrimination.

12 The fact of the matter is, when I retired,
13 yes, it's a sticker shock when you go from-- I worked
14 in a hospital, so I had group insurance there. And
15 then I had to get it on my own, and it's ridiculously
16 high. And now you're asking for an increase when we
17 can barely afford what we're paying now.

18 Plus we had an incident last spring where I
19 was in the hospital for three days, and it's just
20 been a nightmare to get Wellmark to pay.

21 Mainly, though, this age thing, this rating
22 class, if that could be clarified just a little bit.
23 Tell me that it's not related to my age?

24 THE COMMISSIONER: Would the last individual
25 like to make comments in Cedar Rapids?

1 MS. BELTER: [Phonetic] Hi. My name the
2 Carla Belter, and I guess my question, as we went out
3 on the Wellmark Web site, is trying to understand
4 exactly why the increase is so high and only for this
5 small portion of plans.

6 And I think when Angel described it, that
7 was one of the things she covered as well. So I
8 guess I'm just echoing that same question: Why this
9 small group, why this large amount.

10 Is the claim experience truly double for
11 this 19,000 people, and that's why the rate increase
12 is double what I've seen for the small group ACA
13 plans, for instance?

14 I guess I'm just not understanding why the
15 rate increase is so large just for the individual ACA
16 plans.

17 THE COMMISSIONER: Thank you for that comment.

18 And I'd like to address just the age
19 question myself. Under the Affordable Care Act there
20 really are only four rating areas, if you will, or
21 abilities for a carrier. One is by age. One is by
22 geography. It's probably going to slip my memory.
23 Size of family, and whether or not you smoke. I
24 still remember them.

25 So there are four factors. So it's whether

1 you smoke, how old you are, where you live and the
2 size of your family.

3 But I assure you that you're not being
4 singled out as an individual, Ma'am, on that age
5 issue. I assure you.

6 MS. MALATEK: You're kidding; right? That's
7 exactly what you just said.

8 THE COMMISSIONER: But that's-- Under the
9 law how that's how they would rate it. In fact, it's
10 a 3 to 1 band. That gets very complicated, but there
11 used to be a 5 to 1 band, and higher in some states,
12 and so your premium cannot be more than three times
13 the youngest individual in that same pool, so it's
14 very complicated, but that's under the federal law.

15 I would like to go to Ft. Dodge. Anybody in
16 Fort Dodge?

17 AN UNIDENTIFIED SPEAKER: Just me. There
18 isn't anyone in Ft. Dodge.

19 THE COMMISSIONER: Okay. Mason City?

20 AN UNIDENTIFIED SPEAKER: There's no one in
21 Mason City.

22 THE COMMISSIONER: Spencer?

23 MS. BELTER: Hello?

24 THE COMMISSIONER: Hello.

25 MS. BELTER: I kind of asked a question

1 regarding the degree of rate increase for this small
2 group. I'm trying to understand if truly the
3 services in the claim experience is double the other
4 individual plans and the small group ACA plans, the
5 other ones that are coming under this, from what
6 Wellmark put out for rate increases.

7 I'm trying to understand why the 14 1/2
8 percent or 11.9 percent. Is our experience truly
9 double? I'm asking a question, and I don't think you
10 answered it.

11 THE COMMISSIONER: I did not answer that,
12 Ma'am, because I haven't looked at the file yet; but
13 we do have someone from Wellmark who is going to be
14 making some comments here in a minute, and they're
15 going to address that question, I believe.

16 MS. BELTER: Okay. Thank you.

17 THE COMMISSIONER: You bet. Sorry about that.

18 Now, we'll go to remarks from Wellmark.
19 Please identify yourself.

20 MS. JACKSON: So good morning. My name is
21 Laura Jackson, and I am with Wellmark.

22 And I really want to thank everybody--

23 AN UNIDENTIFIED SPEAKER: I'm sorry, we
24 can't hear you.

25 No, we can't hear you.

1 MS. JACKSON: Could you hear Angel?

2 AN UNIDENTIFIED SPEAKER: Now we can hear you.

3 MS. JACKSON: Can you hear me now? My name
4 is Laura. Can you hear me?

5 THE COMMISSIONER: She will come up to the
6 podium here.

7 MS. JACKSON: Good morning. Carla, can you
8 hear me now in Cedar Rapids?

9 MS. BELTER: Thank you so much. Yes, I can
10 hear you now.

11 MS. JACKSON: If I talk this way, can you
12 hear me?

13 MS. BELTER: Yup.

14 MS. JACKSON: Okay. All right. Sorry about
15 that.

16 Well, first of all, good morning. As I
17 said, my name is Laura Jackson. I am with Wellmark.

18 I know that coming out on a Saturday morning
19 means that you have a lot of passion around this, and
20 we completely understand it.

21 I am going to talk to you briefly about why
22 we're asking for this rate increase, but I know that
23 anything I'm going to say isn't going to make you
24 feel better about it; but I am going to try to share
25 the facts with you.

1 And Dale, Pat, and Carla, I'm going to try
2 to address everything I heard you ask questions
3 about. If I don't hit everything from your personal
4 standpoint, one of the reasons we're here is that if
5 you have a personal circumstance that we can help you
6 with, I would love to get your name, and I would
7 personally be happy to work with you if there's a
8 better solution for you based on your circumstances.

9 So, as Commissioner Gerhart said, this
10 requested rate increase really is for about 19,000
11 Iowans.

12 The 1.7 million Iowans that are insured by
13 Wellmark, this does not impact them.

14 And when we looked at what was driving the
15 request for this rate increase, there's really two
16 big buckets, so I'm going to address the first bucket.

17 And, Carla, I think this gets to your
18 question. So when you look at the driver for the
19 rate increase, we looked at this population, and I
20 personally spent time poring through the data,
21 because I took it very seriously to say if I was
22 sitting across the table from a friend or a family
23 member, I need to understand this data. So while I'm
24 not an actuary, I can tell you what I saw in the data.

25 The first thing that we saw is a much higher

1 frequency of individuals seeking care for very
2 complex and serious medical conditions, very serious,
3 really life-saving medications, like oncology drugs,
4 and we also saw unfortunately a lot of end-of-life
5 care that was very expensive.

6 And so that's kind of that first bucket, if
7 you will. We saw the prevalence in this particular
8 group of individuals with these policies being
9 anywhere near 25 to 30 percent more expensive.

10 And the unfortunate part is, none of these
11 serious conditions any of us would want to have; but
12 unfortunately when it does happen to someone, the
13 good news is that's what insurance is for. So we saw
14 a very high incidence rate.

15 The other variable that the ACA has introduced
16 that actually has occurred in this particular pool as
17 well has to do with the fact that you can actually
18 sign up for insurance, and you can cancel your coverage,
19 and you can still re-enroll again the next year.

20 We saw already to date this year about 800-plus
21 people sign up, receive services and cancel their
22 coverage and in some cases not even pay a premium.

23 And unfortunately there were people that
24 really needed care and maybe that was end-of-life
25 care for them. We understand that completely, and I

1 think all of us can wrap our heads around that.

2 But what we also saw is individuals coming
3 in, potentially having a baby, then cancelling their
4 coverage; maybe getting ear tubes, cancelling their
5 coverage; or in some cases had back surgery. And it
6 was a pretty high incident rate.

7 There were about 57 individuals that really
8 experienced a lot of services and a lot of necessary
9 care, but then they terminated their coverage by
10 middle of the year.

11 Unfortunately, when you don't take in the
12 premiums to account for those services, what you end
13 up with is the folks left then in those policies bear
14 the costs for those services, and that's what we have
15 to factor in.

16 So the way in which we've constructed this
17 request for a rate increase, it truly is to cover the
18 increased cost of services, the ACA fees that are
19 required, and the expenses and nothing more. We have
20 not built any profit into this rate request for next
21 year, knowing that people are struggling and that any
22 rate impacts you very personally as, you know, an
23 individual or even your family. So we do take it
24 very seriously.

25 And I think, Pat, to address some of your

1 questions, hopefully Commissioner Gerhart has helped
2 you understand what's going on at the federal level.

3 But I think was it Dale-- Was that your name
4 in Cedar Rapids? I think your question about signing
5 up in July and then having a rate increase already,
6 that's kind of the blessing and the curse of the way
7 the ACA plans work today. So you can come in during
8 a special enrollment period, but you would then be
9 joining kind of the experience of that insurance
10 pool; and so, again, the blessing and the curse of
11 insurance, if we don't need it, we end up sometimes,
12 you know, really experiencing and paying for other
13 people's services; and then hopefully in another
14 given year when you need the care, everyone else is
15 paying and helping you with those services that you
16 requested.

17 So hopefully I've at least at a high level
18 addressed why we're asking for the rate increase and
19 the data behind what we've seen; but again I know
20 it's not going to necessarily make you feel better.
21 I just hope it makes you feel better informed.

22 So with that I'll conclude my comments, and
23 I'm happy to stick around.

24 And, like I said, if there's anyone that
25 wants to provide their name, we will be happy to work

1 with them directly.

2 AN UNIDENTIFIED VOICE: Thank you.

3 THE COMMISSIONER: Thank you, Ms. Jackson,
4 for those comments.

5 In closing, I want to give my contact
6 information for everybody, so if you have further
7 questions, you can call me personally, and I know
8 Angel will give hers in a moment as well.

9 Again, the filing is under review. We
10 expect to have a decision made within about 30 days
11 or less. So there is still some time to comment if
12 you would like to file additional comments; or if you
13 have a question, I believe Laura would be happy to
14 take your name and address any questions. And I'm
15 going to give my phone number here too. You can call
16 me personally. It's area code 515/281-5575. Again,
17 that's 515/281-5575. You can call me, and we can set
18 up a time to talk if you would like.

19 Angel, why don't you please go ahead and
20 give your office number as well.

21 MR. ROBINSON: Absolutely. My contact
22 information is 515/281-4038. Again, that's 515/281-4038.

23 One of the other things I would tell you is
24 on your notification that you received from Wellmark,
25 my contact information is written on that page also

1 on the back. You should be able to find it there.

2 Last, but not least, I know there were a
3 couple of questions about how this process works, why
4 you were being affected a particular way. We'd be
5 more than happy to walk you through why this could be
6 the possibility for you if that rate increase was past.

7 One of the things that I would also tell you
8 is that I'm more than happy to walk you through it
9 either over the phone, or you can e-mail me, whichever
10 is going to be most convenient for you.

11 THE COMMISSIONER: And for the folks in
12 Cedar Rapids, Laura just gave me her contact. It's
13 area code-- Again her name is Laura Jackson, area
14 code 515/376-5252. That's 515/376-5252. You can
15 call her as well.

16 So with that, I'm going to conclude this
17 public hearing for the Wellmark proposed rate
18 increase for 2015 Affordable Care Act plans.

19 And, again, if you folks in Cedar Rapids
20 have any questions, call any of us. We'll be happy
21 to discuss your issues with you at any time.

22 So thank you for attending this morning, and
23 we'll have our decision within 30 days. Thank you.

24 AN UNIDENTIFIED SPEAKER: Thank you.

25 (Hearing concluded at 10:25 a.m.)

1 C E R T I F I C A T E

2 I, the undersigned, a Certified Shorthand
3 Reporter of the State of Iowa, do hereby certify that
4 I acted as the official court reporter at the hearing
5 in the above-entitled matter at the time and place
6 indicated;

7 That I took in shorthand all of the
8 proceedings had at the said time and place and that
9 said shorthand notes were reduced to typewriting
10 under my direction and supervision, and that the
11 foregoing typewritten pages are a full and complete
12 transcript of the shorthand notes so taken.

13 Dated at Des Moines, Iowa, this 2nd day of
14 September, 2014.

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/s/Eileen Hicks
CERTIFIED SHORTHAND REPORTER

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