

## Scope and Range of the Rate Increase

Golden Rule Insurance Company is proposing a rate increase in the state of Iowa for individual major medical business for Generation 25. The requested rate increase is 19% for all medical plans and medical riders. All business for these products will receive the same rate increase. The proposed effective date is April 15, 2015. The rate increase will occur at least one year after the most recent rate increase for each certificate. It is projected that there will be 1,178 covered lives with transitional grandmothers status.

## Financial Experience of the Product

Date	Earned Premium	Incurred Claims	Loss Ratio
05/01/11 - 04/31/12	4,660,678.42	3,761,868.36	80.7%
05/01/12 - 04/31/13	4,081,279.17	2,590,876.56	63.5%
05/01/13 - 04/31/14	3,647,616.21	3,873,953.99	106.2%
3-Year Total	12,389,573.80	10,226,698.92	82.5%

## Changes in Medical Service Costs

There are many different health care cost trends that contribute to increases in the overall U.S. health care spending each year. These trend factors affect health insurance premiums, which can mean a premium rate increase to cover costs. Some of the key health care cost trends that have affected this year's rate actions include:

- Increasing Cost of Medical Services: Annual increases in reimbursement rates to health care providers – such as hospitals, doctors and pharmaceutical companies.
- Increased Utilization: The number of office visits and other services continues to grow. In addition, total health care spending will vary by the intensity of care and use of different types of health services. Patients who are sicker generally have a higher intensity of health care utilization. The price of care can be affected by the use of expensive procedures such as surgery vs. simply monitoring or providing medications.
- Higher Costs from Deductible Leveraging: Health care costs continue to rise every year, while deductibles and copayments remain the same. As a result, a greater percentage of health care costs need to be covered by health insurance premiums each year.
- Cost shifting from the public to the private sector: Reimbursements from the Center for Medicare and Medicaid Services (CMS) to hospitals are no longer covering all of the cost of care. The cost difference is being shifted to private health plans. Additionally, Medicare and Medicaid rates to hospitals are expected to decline due to the impact of the Patient Protection and Affordable Care Act on Medicare and the effect of the recession on Medicaid. A rate increase paid by Medicaid to hospitals is often below the actual cost increase hospitals will experience.
- Impact of New Technology: Improvements to medical technology and clinical practice require use of more expensive services - leading to increased health care spending and utilization.

- Underwriting Wear Off: The variation by policy duration in individual medical insurance claims, where claims are higher at later policy durations as more time has elapsed since initial underwriting.

## **Changes in Benefits**

There have been no premium changes due to benefit changes in this filing.

## **Administrative Costs**

Golden Rule Insurance Company works to directly control administrative expenses by adopting better processes and technology, and through the development of programs and innovations that make health care more affordable. We have led the marketplace by introducing key innovations that make health care services more accessible and affordable for customers, improve the quality and coordination of health care services, and help individuals and their physicians make more informed health care decisions.

Additionally, Golden Rule Insurance Company indirectly controls medical cost payments by using appropriate payment structures with providers and facilities. Our goal is to control costs, maximize efficiency, and work closely with physicians and providers to obtain the best value and coverage.

In addition, increases in State and Federal government imposed taxation and fees are another significant factor that impacts health care spending.

These fees include Patient Protection and Affordable Care Act taxes and fees which will increase health insurance costs and need to be reflected in premium. The two largest cost impacts both took effect beginning with calendar year 2014 earned premiums:

- Insurer Fee: UnitedHealthcare (parent company of Golden Rule Insurance Company) estimates that 2.129% of its 2015 premium will be allocated for insurer fees.
- Reinsurance Fee: A value of \$3.67 per member per month has been determined per HHS regulation for 2015 reinsurance fees. For this product in the state of Iowa, this equates to approximately 1.5% of premium over the 2015 rating period.

A review of current Golden Rule Insurance Company premium rates indicates that the current rates are not sufficient to cover the benefit and administrative costs.