

BEFORE THE IOWA INSURANCE DIVISION

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 IN RE: :
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 PROPOSED 2016 HEALTH :
 INSURANCE RATE INCREASE : Public Hearing
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Mercy College of Nursing
 Sullivan Center
 928 Sixth Avenue
 Room 210
 Des Moines, IA
 Saturday, July 25, 2015

The above-entitled matter came on for hearing at 10:30 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

EILEEN HICKS - CERTIFIED SHORTHAND REPORTER

P R O C E E D I N G S

1
2 COMMISSIONER GERHART: I think we are ready
3 to get started this morning, so thank you for
4 allowing us to get everybody situated.

5 This is going to be the public hearing for
6 2016, Health Insurance Rate Increase. We have three
7 today actually, and we're going to go in alphabetical
8 order.

9 Just some brief opening remarks. The rest
10 rooms are outside. We are going to allow everyone
11 who wants to comment opportunity to comment. We will
12 start with the off-site locations in alphabetical
13 order, so I will say the city, and if you're in that
14 location and you want to comment, please do so. We
15 will have Des Moines be the last one.

16 If you go up to the microphone to comment,
17 make sure the microphone is depressed at all times so
18 we can hear you.

19 This is being transcribed, so make sure you
20 speak clearly so it can be transcribed, and she'll
21 greatly appreciate that, I'm sure.

22 The cell phones can be turned off. And,
23 again, all interested parties will have an
24 opportunity to comment.

25 AN UNIDENTIFIED SPEAKER: What is your name?

1 COMMISSIONER GERHART: I'm sorry. I'm Nick
2 Gerhart, the Iowa Insurance Commissioner. Sorry.

3 Can they hear us? Maybe she can hear now.

4 AN UNIDENTIFIED SPEAKER: We can hear you now.

5 COMMISSIONER GERHART: You can hear us?

6 AN UNIDENTIFIED SPEAKER: Yes, we can hear
7 you now.

8 COMMISSIONER GERHART: Okay. All right.
9 Sorry about that, folks.

10 Again, everyone who wants to comment will
11 have an opportunity to comment, so we're going to
12 start at the off-site locations and conclude with
13 Des Moines.

14 At the end of each company's presentation
15 the Consumer Advocate will make some remarks as well,
16 basically outlining the comments we've received today
17 for each company.

18 So we're going to start with Coventry Health
19 of Iowa, given that they're in alphabetical order.

20 And it's my understanding that Gundersen is
21 in Mason City; is that correct, Angel?

22 MS. ROBINSON: Yes.

23 COMMISSIONER GERHART: So Coventry is here,
24 so we're going to have a presentation from Angel
25 Robinson, the Consumer Advocate, on Coventry.

1 MS. ROBINSON: Good morning.

2 Thank you for this opportunity to present
3 the comments on behalf of the public that have been
4 received.

5 Before I go over Coventry's proposed rate
6 increase and the consumer comments, I wanted to take
7 this opportunity prior to going into the individual
8 companies that are here today to actually go over
9 what this process is and to explain what my role is
10 in this process.

11 AN UNIDENTIFIED SPEAKER: Is that mike on?

12 COMMISSIONER GERHART: Here, use this one.

13 MS. ROBINSON: Or I can speak louder. I
14 have a very good voice.

15 My part of the process is to receive consumer
16 comments whenever a rate increase is received--or a
17 request for a rate increase is received from--
18 whenever a rate increase request is received from an
19 insurance company that's going to be over a certain
20 percentage rate, and that percentage rate is going to
21 be the average annual health spending growth rate.

22 It's a rate that's set annually by the
23 Federal Government, CMS, and this year that rate
24 amount is 6 percent.

25 So that means that every health insurance

1 company that offers individual health insurance plans
2 that want a rate increase and it's over 6 percent has
3 to go through some additional administrative processes
4 before they can complete the rate increase request
5 and before that rate increase request can be
6 finalized and reviewed by the Commissioner.

7 This year we've had three companies that
8 qualify for that: Coventry, Gundersen and Wellmark.

9 As part of that process, everybody's
10 required to receive a personal notification that a
11 request for a rate increase has been asked for by
12 your health insurance company, the amount of that
13 rate increase that they're requesting and then, of
14 course, what's leading up to that rate increase.

15 Also a separate but just as equal part of
16 the process is your ability and your right to comment
17 about that rate increase that's being requested.
18 That's what this opportunity here today is.

19 This is the opportunity for people to
20 express their comments directly to the Commissioner
21 for the official record before that rate increase is
22 decided.

23 Now, there are many different opportunities
24 and ways to share your comments, and this hearing is
25 just one of them.

1 Over the past greater of two months I have
2 been receiving comments from the public through
3 e-mail, through phone calls, through letters, that
4 also will be going into the official record; and what
5 I'm here to do today is to report on those additional
6 comments from people who either were not able to make
7 it here today or who just wanted to express
8 themselves prior to this hearing.

9 So in looking at the first set of comments I
10 received, I received a total of 73 comments for
11 Coventry Health Care.

12 A little bit of background on this rate
13 increase for Coventry Health Care. One, is that
14 they're asking for a 17 percent rate increase on
15 average.

16 Now, there is going to be a range. That
17 range is going to go from 7.1 percent through 28.7
18 percent, but the majority of people who are receiving
19 the proposed rate increase or would be impacted by
20 this proposed rate increase are going to see a 17
21 percent proposed rate.

22 There were a total of nearly 30,000 people
23 that were going to be impacted by this rate increase
24 at the time that it was filed.

25 Now, that number may be slightly altered

1 because the day-to-day number of people who participate
2 in the policies will change. People will add a
3 policy or people may leave the insurance company, and
4 so the number of nearly 30,000 was going to be the
5 number that we received when the rate increase was
6 filed.

7 Now, of those comments, of the 73 comments I
8 received, there were some trends, and we always have
9 trends, and these are usually across the board and
10 very traditional. I will go over what they were
11 statistically, but I also want to highlight a few of
12 the ones that will probably be most relevant for the
13 consumers and came up most often.

14 First, I would say that we had 100 percent
15 nos, asking the Commissioner to not approve the rate
16 increase.

17 This rate increase was found also to not be
18 affordable by many of its members, as nearly 94
19 percent having the comment of affordability concerns.

20 69 percent disagreed with Coventry's reasoning
21 for the rate increase, and 45 percent believe that
22 the rate increase requests were out of control and
23 perpetual.

24 43 percent believe that access to their
25 policies was going to be more limited because they

1 had higher deductibles to meet on top of the
2 premiums; and 31 percent rarely used their policies
3 and so were having a lot of difficulty seeing the
4 importance and the reasoning behind having a rate
5 increase on their particular policy.

6 Some general takeaways that I would like to
7 mention for the record and for the Commissioner is
8 that a lot of the Coventry policyholders who are
9 affected are going to be on the federal health
10 insurance marketplace.

11 Why is this significant? This is going to
12 be significant because the consumers highlighted the
13 fact that Coventry is going to be the only carrier on
14 the marketplace, and the marketplace was supposed to
15 be built to help increase access and affordability to
16 health insurance.

17 This rate increase at a proposed rate of 17
18 percent is going to be contrary to a lot of those
19 ideas. For people who cannot afford health insurance
20 who had to go through the marketplace to receive that
21 health insurance, receiving this rate increase will
22 be substantially hard for their household to bear.

23 The other big comment I would bring up and
24 that was brought up by a lot of the Coventry rate
25 increase affected were that the increase was going to

1 be one that they've already received. They've
2 received perpetual increases since joining Coventry
3 for many of the policyholders who have been with them
4 for the last couple of years, and so there was
5 objections to having another increase.

6 One thing I would bring up is that for any
7 individuals who have questions after we're done with
8 the hearing, I'm happy to discuss this matter on how
9 your marketplace policies work alongside with your
10 subsidies, after the hearing, for your individual
11 situations.

12 Because I do think that there's a lot of
13 room for education about how that works and how--if
14 there is a rate increase, how this would affect you.

15 That is the sum of the 73 comments I
16 received, Commissioner. Do you have any additional
17 questions for me?

18 COMMISSIONER GERHART: How many folks were
19 impacted of the 30,000?

20 MS. ROBINSON: At the time of filing it was
21 29,746 policyholders, so nearly 30,000 individuals.

22 COMMISSIONER GERHART: So all the Medicaid
23 folks are outside of this?

24 MS. ROBINSON: Yes. Individuals who have
25 Medicaid or individuals who have Medicare are going

1 to be outside of this rate increase. These are just
2 going to be individuals who purchased the policies on
3 their own.

4 COMMISSIONER GERHART: Okay. I think right
5 now we'll have additional public comment, we'll go to
6 that, and we'll start with Burlington.

7 MS. HUNNEL: Thank you for letting me talk
8 today. My name is Mary Hunnel [phonetic]. Last year
9 my family's total income was \$38,000, and I work for
10 a small veterinary clinic in southeast Iowa, and my
11 employer employs less than 50 people, therefore I am
12 solely responsible for my health care.

13 I've been a member of Wellmark Blue Cross
14 Blue Shield for over five years.

15 COMMISSIONER GERHART: Excuse me, Ma'am.
16 We're doing the Coventry one right now. Could you
17 hold off and make the Wellmark comments when we get
18 to the Wellmark hearing?

19 MS. HUNNEL: Yes, Sir. Thank you.

20 COMMISSIONER GERHART: I'm sorry.

21 Is there anyone in Burlington that wants to
22 talk about Coventry?

23 (No response.)

24 COMMISSIONER GERHART: How about in Carroll?
25 Would you like to make a comment on Coventry

1 rate increase proposal?

2 MS. CHRIST: Yes, yes. The question that--

3 COMMISSIONER GERHART: Ma'am, could we get
4 your name?

5 MS. CHRIST: My name is Becky Christ.

6 COMMISSIONER GERHART: Thank you.

7 MS. CHRIST: And my question is how is the
8 range decided, that 7.1 percent to the 28.7 percent?

9 COMMISSIONER GERHART: The range was
10 decided-- That is the range that the company filed
11 for their entire block of business, and the company's
12 going to be discussing that here in a little bit.

13 MS. CHRIST: Okay. And then will the
14 change--the name change to Aetna, is that some of
15 this cost too because of that merging?

16 COMMISSIONER GERHART: Again, I think the
17 company will probably address the cost increase
18 factors when they are up here offering their
19 testimony, so they'll be addressing that concern.

20 MS. CHRIST: My next question then, on the
21 letter that we received, the total increase from
22 current base premium rate, the bottom line totals
23 \$64.36. Does that mean that's how much my plan is
24 going to increase?

25 COMMISSIONER GERHART: Possibly. But,

1 again, you will have a final-- This is a proposed
2 rate increase. We're reviewing it now. So that is
3 possible.

4 MS. CHRIST: Next question then, on the
5 letter again, the next thing it says, reduction in
6 government risk protection. Is there a reduction in
7 the works for 2016 of the government protection?

8 COMMISSIONER GERHART: Yes, there is.
9 There's-- The way it works is there is what is called
10 the "3 R" program. The "3 R" program is risk
11 adjustment, risk corridors and reinsurance.

12 So in the Affordable Care Act there's what's
13 called the "3 Rs" program, and one of them--well, two
14 of them are going away. One of them is permanent.
15 Risk adjustment is permanent.

16 Reinsurance and risk corridor tail off in
17 three years. Reinsurance is tailing off for every
18 carrier, and so that is part of the increase. I'm
19 sure again the company will be addressing that.

20 MS. CHRIST: Can you give what kind of
21 percentage that is for the two going away?

22 COMMISSIONER GERHART: Well, again, it's
23 going to be company specific. And the way it works
24 is that for certain claims between an attachment
25 point of 45,000 to 250,000, I believe, the Federal

1 Government pays for--well, what's supposed to be 80
2 percent, got to 100 percent last year on those
3 claims. And so this is a three-year program. It's
4 based on fees that everybody pays, about \$63 per
5 person that has health insurance across the country
6 is paying into this.

7 It was 10 billion dollars that was available
8 this year. Not all of that was paid out, so companies
9 got a little bit of benefit there.

10 But it is tailing off, and that goes away.
11 So that's one of the tools that the Affordable Care
12 Act was used to maintain some predictability in
13 pricing, and that is going away.

14 MS. CHRIST: Okay. And my last question, on
15 the backside of the letter, the sentence says, "Your
16 total premium rate may change because of individual
17 factors, even if the base rate does not change."

18 Will we have-- Do we have any idea of what
19 that rate increase could be there?

20 COMMISSIONER GERHART: Again, the company
21 will address some of that. But when they say
22 individual factors, they mean things like whether or
23 not someone smokes. You know, where you live could
24 factor on that.

25 You know, there is no individual underwriting,

1 but there could be based on age, size of your family.
2 So those are the things that they're referencing in
3 that letter that could impact your individual rate.

4 MS. CHRIST: Thank you very much.

5 COMMISSIONER GERHART: You're welcome.

6 Anybody else in Carroll?

7 (No response.)

8 COMMISSIONER GERHART: Cedar Rapids for
9 Coventry?

10 Is there anybody in Cedar Rapids that wants
11 to comment on Coventry?

12 (No response.)

13 COMMISSIONER GERHART: Council Bluffs,
14 anyone want to comment on Coventry?

15 (No response.)

16 COMMISSIONER GERHART: Okay. Mason City?

17 MS. BUTLER: No one wants to speak here.

18 COMMISSIONER GERHART: And then the last
19 remote location is Spencer. Coventry?

20 (No response.)

21 COMMISSIONER GERHART: No? Okay.

22 So now we'll go to Des Moines here. Is
23 there anyone in the room that wants to offer
24 comments?

25 Come up to the microphone, please, and

1 identify yourself, Sir.

2 MR. LYON: There's a button?

3 COMMISSIONER GERHART: Yes. It's the big
4 bar there.

5 MR. LYON: The big bar. Hi. My name is
6 Verne Lyon, and I'm here today on behalf of my wife
7 Margerita, who has a policy with Coventry One, which
8 seems to be different from Coventry, at least that's
9 what they say every time you call with a question or
10 a concern or complaint.

11 But, at any rate, looking at the letter that
12 we received, I just have a couple of simple comments
13 before I get to my questions.

14 No. 1 is, I'm really disappointed at the
15 turnout and the number of responses that the young
16 lady who was here earlier said that they received.
17 Only 73.

18 I hope that's not abdication on the part of
19 the public, thinking that this process is just that,
20 a process, and the public is not listened to. At
21 least that seems to have been the results over the
22 past few years when the major insurers here in Iowa
23 have asked for substantial increases every year and
24 gotten basically whatever they wanted.

25 So I hope that's not true, but it's a trend

1 that I see; and I haven't seen anything to indicate
2 to me that it's going to change.

3 At any rate, my wife had to get into the
4 Affordable Care Act because she lost her job, and as
5 you all know, we're forced to buy health insurance or
6 pay penalties.

7 The only provider in the State of Iowa at
8 the time was Coventry One, and their prices, we get
9 no subsidies from the Federal Government so we pay
10 the full impact.

11 I'm retired on Social Security, and my wife
12 isn't at that age yet, so really I have to pick up
13 that cost on what I get monthly.

14 It's already a burden at around \$400 a
15 month, and my wife suffers from a couple of illnesses,
16 one that required some mental health services.

17 When we contacted Coventry about this,
18 because on their policy description page, the
19 Coventry Silver Mercy plan, they list mental health
20 services.

21 We were unable to obtain anybody in Polk
22 County, Story County, Warren County, that provided
23 this service.

24 As a result of that, we called the Iowa
25 Insurance Commission and complained.

1 They said that we would receive a written
2 response from Coventry One within 30 days.

3 That did not happen.

4 We called the Insurance Commission back and
5 told them this, and they said, "Well we will make
6 them give you a list of providers."

7 Finally they called us back--the Iowa
8 insurance people, not Coventry One--and said, "Well,
9 they do have a provider 90 miles away, but they're a
10 technician. They're not a doctor."

11 So we were either deliberately misled or
12 lied to about this--just one service that Coventry
13 One listed as part of their coverage.

14 So, okay, they got by with it this year.
15 Next year I assume they'll say the same thing and not
16 provide the service.

17 So one of my questions is, if you give them
18 an increase, which I assume you will, are you going
19 to require that they put up what they claim they're
20 going to provide?

21 Are you going to let them slide for another
22 year, two years, three years?

23 I mean this is something I would like to
24 know. I'm not paying for a service that they claim
25 to provide and they do not.

1 And if they do get an increase, do we get a
2 refund?

3 They didn't--they didn't provide a service
4 that we paid for, so I think that's a legitimate
5 question. And you need to go to Coventry One and
6 say, "Hey, what about this?"

7 And I can give you the dates we called the
8 Insurance Commission and asked about this, and the
9 numerous calls and e-mail we sent to Coventry One
10 that were ignored.

11 I mean we're treated like we're not even
12 human beings. We're just a source of revenue.

13 That's disturbing, to say the least.

14 On page 1 of the letter that we received,
15 the factors being considered for this basic premium
16 rate increase, you explained a little bit about the
17 reduction in government risk production. That's
18 understandable, but the numbers are not yet given.
19 So it's still a guessing game.

20 The second factor, expected utilization and
21 cost for medical services. These companies, like
22 Coventry, Wellmark, whatever one they are, they
23 employ teams of people to estimate costs not next
24 month, next year, but years down the road.

25 They knew what they were doing when they got

1 into the business, yet they didn't say anything about
2 double-digit increases every year.

3 Poor planning or gouging? I'm not quite
4 certain which it is.

5 Nobody knows what the expected utilization
6 and costs are going to be, yet they come up with a
7 percentage and a cost with just their argument as a
8 basis. That's not good enough for me.

9 You know, if I ran a business and I raised
10 my prices just because I thought something was going
11 to happen, that wouldn't fly very far.

12 Look at the current thing with the egg
13 prices here in Iowa. We all know what happened. We
14 understand the increase.

15 When it comes to health care and some of
16 these factors, there's no real underlying amount of
17 numbers and facts that we are given. We're just
18 told, "Well, this is what we think it's going to be,
19 so pay up." That's not quite kosher in my book.

20 The third thing, the adjustments due to
21 actual claims experience.

22 I understand that the costs go up every
23 year. And the 3.2 percent looks like that's a
24 reasonable sum compared to what it's been over the
25 past few years, so I'm not arguing with the third

1 factor.

2 But the first two are not yet in dry
3 concrete, and I would urge you to look at those and
4 look at the people that had to buy Coventry. It was
5 the only thing on the market. You know, when you
6 have a gun to your head, you know, take into
7 consideration how people are being forced to pay for
8 their insurance and these increases that are not
9 substantiated yet.

10 So I guess our only alternative is to sit
11 and wait until later in the year. I don't know how
12 many other players are going to be in the market at
13 that time. Maybe one, maybe two.

14 But look at what this is going to do to the
15 people buying these policies and take them into
16 consideration as well.

17 Thank you.

18 COMMISSIONER GERHART: I appreciate those
19 comments. And sorry that, you know, we didn't get
20 you the response you're looking for; but, you know,
21 Angel, get her phone number, and she can absolutely
22 help you handle those questions, and she'll be glad
23 to do that. That's her job.

24 But I will say on some of the factors that
25 you mentioned, I mean I do understand the impact. I

1 mean if I were in the individual market right now,
2 the cost would be more than my house payment. So,
3 believe me, I understand that. And I have had to pay
4 for it myself, and it is a burden so I understand
5 that.

6 But we have to also look at what happens
7 when a carrier doesn't have the right price, so we
8 had experience with a company that failed this year,
9 and that doesn't help anybody either.

10 There will be more competition this year.
11 We have at least two other carriers in the marketplace,
12 so on November 1st you will be able to go look at
13 rates. And we've heard some complaints around
14 Coventry's mental health network. We're working with
15 them on that, I assure you of that. But we had those
16 questions. You know, call Angel first. She can get
17 ahold of me.

18 MR. LYON: Well, I don't know if I talked to
19 Angel when we called several months back. Possibly.

20 But with Coventry being gobbled up by Aetna,
21 now that's a company that's nationwide, so they have
22 the money. They're not going to go under. They're
23 not going to be bankrupt, so take that into
24 consideration, as well, which I'm certain you will.

25 COMMISSIONER GERHART: We do.

1 MR. LYON: Thank you.

2 COMMISSIONER GERHART: I appreciate your
3 comments.

4 Folks from Coventry, would you like to make
5 some comments?

6 Come up to the microphone and make sure you
7 introduce yourself.

8 MR. MACKEL: Good morning, Commissioner.
9 Thank you for the opportunity to speak publicly here
10 today. I hope everybody can hear me. I'm not sure
11 if I need a microphone or not.

12 My name is Dale Mackel, and I am the market
13 president for Coventry Health Care of Iowa. I have a
14 prepared statement that I will read today. It takes
15 about five minutes. I will go off script during it
16 to answer some of the questions.

17 The prepared statement includes some brief
18 introductory remarks, a few words about our company,
19 a discussion of our requested base rate increase and
20 some closing comments.

21 So let me start off by saying, as a company
22 and as individuals, we are keenly aware of the many
23 challenges related to health care today, not the
24 least of which is affordability.

25 Health care costs continue to put significant

1 pressure on employers and consumers and represent a
2 significant threat to the U.S. economy.

3 Health care spending is on track to grow
4 from 3 trillion dollars today to 5 trillion dollars
5 in 2022. This represents 20 cents of every consumer
6 dollar spent and is clearly not sustainable.

7 Accordingly, our top priorities as a company
8 continue to be focused on affordability, quality of
9 care, access to care, and member empowerment.

10 In terms of our company, Coventry Health
11 Care of Iowa is a wholly-owned subsidiary of Aetna.
12 Coventry has had a significant presence in Iowa since
13 1985, and we continue to remain fully committed to
14 the state and citizens of Iowa.

15 Coventry has been a statewide fixture on the
16 Iowa Health Benefit Exchange since the exchange's
17 inception. We have worked closely with the Iowa
18 Insurance Division and the health exchange marketplace
19 to collectively manage the significant market changes
20 that have occurred over the past 24 to 36 months, and
21 we look forward to continuing to do so in 2016 and
22 beyond.

23 With respect to the base rate increase, for
24 2016, as you've heard, Coventry Health Care of Iowa
25 has submitted a request to the Iowa Insurance

1 Division to increase base premium rates by an average
2 of 17 percent to be effective January 1st, 2016.

3 Increases on in-force policies will not be
4 effective until the actual renewal date of those
5 policies on or after January 1st, 2016.

6 The premium rate increase will vary by plan
7 design and by metallic tier. So this addresses some
8 of the questions of the earlier individual.

9 Silver and bronze tier policies, which
10 represent about 87 percent of our members, will
11 increase around 17 percent on average.

12 Gold tier policies, which represent about 10
13 percent of our members, will increase around 30 percent.

14 Obviously the metallic tier is the defined
15 benefit level that exists in the policy.

16 The other factor that affects the range is
17 the type of network that your policy is affiliated
18 with.

19 We have broad-access networks, and we have
20 narrower, limited-access networks; and clearly the
21 narrower, limited-access networks are a more
22 economic, less costly alternative.

23 So the lower increases tend to be affiliated,
24 so the 7 percent lower end of the range tend to be
25 affiliated with those limited network products.

1 It is important to note while a change to
2 the base rate will affect the price of health insurance,
3 other factors not reviewed here today can also impact
4 up or down the price of insurance.

5 Examples of these individual rating factors
6 include how many family members the policy covers and
7 their ages, geographic location and tobacco status.

8 Members that are impacted with the rate
9 increase will receive notices between October 1st and
10 November 15th that reflect the true increase based on
11 all parameters mentioned above.

12 One other comment I will make to the question
13 is Aetna--the acquisition of Coventry is not
14 affecting the price of our insurance.

15 It is also important to note that the impact
16 of the increase and the total premium paid is dependent
17 on whether or not a member qualifies for premium
18 credits from the health exchange marketplace and the
19 size of those subsidies.

20 In the case of Coventry Health Care of
21 Iowa's individual members, 85 percent have purchased
22 their policies through the marketplace; and of those
23 members, approximately 81 percent receive some form
24 of subsidy.

25 The base rate change in Iowa is generally

1 due to three items, albeit we have filed all factors
2 with the insurance division in our full rate filing.

3 Those items are: The expected increase in
4 utilization, cost of medical services, including
5 prescription drugs, also commonly referred to as
6 trend or medical inflation. That represents roughly
7 50 percent of our increase;

8 Actual claims experience, including the
9 impact of the Federal Government risk adjustment
10 program, is another driver. And it is important to
11 note that this is the first time under the law that
12 we actually have complete and credible claims experience
13 on which to rely to set our rates. So that drives
14 about 20 percent of our requested increase.

15 And then, finally, a reduction in government
16 risk protection measures, known as reinsurance, that
17 drives about 30 percent of our increase.

18 As we approach the end of our second year
19 under full enforcement of the Affordable Care Act
20 law, we have gleaned some important insights about
21 how our membership utilize their health care coverage
22 compared to those members on traditional insurance
23 policies.

24 What we have found is there are
25 significantly different health care consumption

1 patterns.

2 Specifically, the Affordable Care Act
3 mandated policyholders exhibit in-patient bed day
4 occurrences that are 41 percent higher; outpatient
5 procedures occurrence that are 44 percent higher;
6 emergency room visits that are 39 percent higher;
7 laboratory and radiology services that are 63 percent
8 and 55 percent higher respectively; and high cost
9 planning occurrence, defined by claims greater than
10 \$50,000, that are 18 percent more prevalent and 45
11 percent more severe on a per-claim basis.

12 Understanding the burden health insurance
13 increases place on consumers, I want to highlight
14 what we as a company are doing to change this dynamic.

15 We are taking a number of steps to address
16 the underlying cost of health care, such as developing
17 new agreements, arrangements and partnerships with
18 health care providers that compensate them for
19 quality of care rather than the quantity of services
20 they provide.

21 We are creating medical management programs
22 that address potential health issues for members
23 earlier and focus on improving health outcomes and
24 reducing the need for high cost health care services
25 later on.

1 We are designing benefit plans that encourage
2 preventive services and cost-effective treatment
3 locations to help our members lower their costs.

4 We are also dedicated to increasing
5 transparency within the health care system, as well
6 helping our members best utilize the plans they have.

7 Transparency ultimately leads to empowering
8 the consumer to make better health care decisions.

9 Ultimately, we believe the rates we are
10 filing for 2016 are competitive with the products
11 offered by other carriers in the marketplace. In
12 fact, Coventry has some of the most affordable
13 products across the State of Iowa.

14 Before I mention any closing comments, there
15 is one other off-script item I would like to address.
16 It is that it's important to understand, and Angel
17 referred to this as an opportunity for education,
18 that under the Affordable Care Act law we are not
19 able to rate individuals based on their specific
20 experience. Rather, it is the experience of the
21 entire pool that determines the rate, and that pool
22 is referred to now as the community.

23 So we understand and empathize with individuals
24 that do not utilize their insurance, and they're
25 seeing significant increases. Unfortunately, they're

1 part of a broader pool, and the pool in its totality
2 is what drives the rates.

3 So in closing, Commissioner, I want to
4 emphasize, we do understand the significance of how
5 the costs of health care impacts the citizens of
6 Iowa, and we are working tirelessly to change that
7 dynamic and make health care more affordable for
8 everyone.

9 This is not an overnight event but rather a
10 transformational journey. While we are confident in
11 our rate projections, should actual events develop a
12 more favorable light relative to our viewpoint,
13 customers are ultimately protected by the federal
14 minimum loss ratio requirement and would receive
15 premium rebates if minimum medical expense thresholds
16 are not incurred.

17 Please note that no rebates are owed by
18 Coventry Health Care of Iowa for the 2014 enrollment
19 period.

20 Iowa is not just a place of business for us,
21 it is home to our employees. We have a long history
22 with the state, and we are investing in the local
23 communities.

24 We also have a long history of financial
25 stability which enables us to manage the changing

1 dynamics of the marketplace.

2 We are committed to serving Iowa citizens
3 for the long term, and we look forward to working
4 with the state, continuing our collaborative efforts
5 with the Iowa Insurance Division as the marketplace
6 matures and evolves.

7 Thank you for this opportunity to speak
8 today, Commissioner.

9 COMMISSIONER GERHART: So at this time I
10 will close the Coventry rate hearing.

11 We're going to move to Gundersen.

12 But before I do that, a few closing comments.
13 I want to go back on the reinsurance point that
14 Mr. Mackel had addressed that does go away, but it is
15 going to impact pricing again, I believe, next year.
16 I'm not an actuary, but that is going to go away.

17 And the other part of that program, the risk
18 corridor, probably is not going to work as any
19 carrier projected, if I had to guess.

20 And we just got that report back June 30th,
21 and I was very surprised when I saw that report, and
22 I'm guessing other folks were as well.

23 So those three Rs that were in there, I
24 mentioned a little bit earlier, two of them go away,
25 and that probably will continue to impact and have

1 some pressure on pricing.

2 And the point that Mr. Mackel made about the
3 community-rated pool, you know, if we could go off
4 script here a little bit, when we look at what
5 happened with CoOp, there were some very significant
6 claims there that impacted that entire pool; and I'm
7 not sure how many members of CoOp that Coventry
8 picked up, but I'm guessing it's quite a few.

9 But we are looking at all of that. Their
10 rate review--proposed--is under review with a third
11 party, an independent actuarial firm; and we hope to
12 have our recommendation made to CMS, so we actually
13 would recommend to the Federal Government what the
14 rate will be, and then they ultimately will certify
15 that rate, so that's how the process works.

16 So with that, we're going to close the
17 Coventry rate, and then move to Gundersen. I believe.

18 So, Angel.

19 MS. ROBINSON: Thank you again for the
20 opportunity to speak on behalf of the affected
21 policyholders for Gundersen Health Insurance.

22 Gundersen Health Insurance has requested a
23 rate increase of 9.4 percent, and there are 66
24 covered lives that would be impacted by the proposed
25 rate increase.

1 I can tell you at this time I have received
2 no comments from the affected policyholders or from
3 the public. Therefore, I have no statistical data or
4 summaries to give you.

5 COMMISSIONER GERHART: Okay. Is there
6 anyone in one of the remote locations that would like
7 to talk?

8 I'll start with Burlington. On Gundersen?
9 (No response.)

10 COMMISSIONER GERHART: No?

11 Carroll, anyone like talk about the
12 Gundersen rate increase?

13 (No response.)

14 COMMISSIONER GERHART: It doesn't look like
15 it. Okay.

16 Cedar Rapids?

17 (No response.)

18 COMMISSIONER GERHART: Council Bluffs?

19 (No response.)

20 COMMISSIONER GERHART: We'll go to Mason
21 City last.

22 Spencer?

23 (No response.)

24 COMMISSIONER GERHART: Okay. Mason City?

25 (No response.)

1 COMMISSIONER GERHART: Is there anyone in
2 Des Moines?

3 (No response.)

4 COMMISSIONER GERHART: All right. I believe
5 the Gundersen rep is in Mason City; correct?

6 Samuel Schmirler, is he in Mason City?

7 MS. BUTLER: He is here. He might have to
8 come up to this mike.

9 COMMISSIONER GERHART: Okay. Why don't you
10 bring him up there real quick then. Thank you.

11 MR. SCHMIRLER: Can you hear me?

12 COMMISSIONER GERHART: I can hear you.

13 MR. SCHMIRLER: Hello. My name is Sam
14 Schmirler, and I'm the actuary at Gundersen Health
15 Plan.

16 I appreciate the opportunity to be here to
17 represent Gundersen Health Plan as a carrier,
18 Commissioner.

19 And as you are aware, Gundersen is requesting
20 an average rate increase for January of 2016 for our
21 individual plans that averages 9.4 percent.

22 This rate adjustment is necessary based upon
23 the medical costs expected for the population that
24 will be covered under these plans.

25 We know that health care coverage and the

1 cost of that coverage affects people's lives, and as
2 a nonprofit provider-owned health plan, we take this
3 very seriously. So let me discuss a few of the
4 factors driving this increase.

5 As previously mentioned, the expected claim
6 costs exceed premiums. There is the reduction, as
7 you've already discussed, of the risk protections
8 through the transitional reinsurance program.

9 And there's the increased administrative
10 expense associated with higher ACA taxes and fees in
11 2016. Together these are the costs that are
12 primarily driving the requested increase.

13 At Gundersen Health Plan we continually look
14 for ways to appropriately manage health care expenses,
15 reduce the administrative costs so that we are able
16 to provide affordable care in the State of Iowa.

17 Furthermore, we strive to allow customers to
18 receive the highest quality of care with our broad
19 access in northeast Iowa, doctors and other health
20 care professionals.

21 We are hopeful that the Department of
22 Insurance will approve our proposed rate level
23 because it is based on sound actuarial principles,
24 and is reflective of the costs expected in this
25 business.

1 The proposed premiums will allow us to
2 properly pay our claim obligations and to continue to
3 provide broad access to quality care in the State of
4 Iowa.

5 COMMISSIONER GERHART: All right. Thank
6 you, Samuel.

7 We are going to take that rate review. We
8 are reviewing it as a speak. I've got a team working
9 on that as well. Hopefully we'll have that certified
10 and reviewed in the next 30 to 45 days.

11 Angel, they're not on the marketplace, are
12 they?

13 MS. ROBINSON: No. No, they are not.

14 COMMISSIONER GERHART: And so, yeah, that
15 rate review is under review, and we'll be having a
16 decision made probably in the next 30 to 60 days.

17 So with that, we'll go to the last hearing
18 of the day--Wellmark.

19 So, Angel, back to you.

20 MS. ROBINSON: Thank you, Commissioner.

21 Wellmark notified me back in May of 2015 of
22 this year that they would be requesting a rate
23 increase for both their ACA compliant, which are
24 going to be the plans that were implemented after
25 2014, and for their grandfathered and traditional

1 plans also. We tend to refer to those as the nonACA
2 plans.

3 There are going to be a combined total of
4 138,000 individuals, approximately, that will be
5 affected.

6 Again, as I mentioned similarly to the
7 information I provided for Coventry, that was at the
8 time of filing. The numbers may have fluctuated due
9 to people joining Wellmark or leaving Wellmark.

10 I would also say that for the ACA compliant
11 policies, a rate increase request was made for 26
12 percent. For the preACA, or for the grandfathered
13 and transitional plans, a rate increase of 21 percent
14 was requested.

15 I would like to take this opportunity to
16 highlight some of the 215 comments that I received
17 from the public prior to this hearing.

18 Of those comments, I can tell you that all
19 of them requested that the Commissioner not approve
20 the rate increase, and most certainly not approve the
21 rate increase at the over 20 percent, nearly 30
22 percent, that it was requested at.

23 I will also tell you that 92 percent of the
24 comments received really focused upon the amount of
25 increases Wellmark has requested annually.

1 I can tell you that the comments received on
2 behalf of Wellmark's proposed rate increase were far
3 more narrow in nature than some of the others for
4 health insurance companies, and they seem to run very
5 consistently along the same lines.

6 While a lot of the commenters eloquently
7 shared their stories and why this rate increase would
8 personally not be the best move for their families
9 and whether or not they would have to give up their
10 policies for Wellmark, I will tell you that that was
11 going to be the bulk of the comments received.

12 95 percent of those who commented were very
13 wary of the rate increases. Those who have ACA
14 policies mentioned that they just went through a rate
15 increase last year that was also double digit, and
16 that the compounded increases that they receive
17 annually from Wellmark are making the prices of their
18 premiums unaffordable.

19 Lastly, I would bring up the comment that
20 those grandfathered policies that are seeing the
21 larger increase of over 20 percent, there were some
22 comments made that they did not understand why they
23 were seeing such a large rate increase if Wellmark
24 was not even dealing with an ACA compliant product,
25 and they were not on the marketplace.

1 Did the Commissioner have any additional
2 questions about the comments I received prior to this
3 hearing?

4 COMMISSIONER GERHART: I don't think so,
5 Angel.

6 MS. ROBINSON: Thank you.

7 COMMISSIONER GERHART: Thank you.

8 Now, we're going to move to Burlington. I
9 believe we had somebody there earlier, so we'll go
10 back to Burlington.

11 MS. HUNNEL: Good morning. Thank you for
12 letting me speak today. My name is Mary Hunnel.
13 Last year my family's total income was \$38,000. I
14 work for a small veterinary clinic in southeast Iowa.
15 My employer employs less than 50 people, therefore, I
16 am solely responsible for my health care.

17 I've been a member of Wellmark Blue Cross
18 Blue Shield for over five years, and I have
19 faithfully paid my premiums and deductibles, and I
20 currently pay almost \$3800 a year in my premium.

21 Over a five-year period I have paid almost
22 \$18,000, and in all that time, the only payout that
23 this company has made for me was my annual well exam
24 and one trip to an emergency room that cost \$4700 but
25 was adjusted down to \$1900, and my deductible was a

1 thousand dollars. So you can do the math and figure
2 out what Wellmark Blue Cross Blue Shield paid out for
3 me.

4 I am a 45-year-old woman who doesn't smoke.
5 I'm very active and diligent in my health care, and
6 my health well-being.

7 I'm just trying to make ends meet and trying
8 to save something for my future when I retire, which
9 will probably be when I'm 80 years old.

10 I do not-- I do not mind paying for my fair
11 share, but to be put into a community pool with other
12 people who are not as diligent in their health care
13 does not seem fair.

14 So the key word here today is what is fair.
15 Is double-digit increases fair to all of us or just
16 to some?

17 I received the notice for Wellmark saying
18 that they want to raise my premiums by \$50 a month.
19 I also received a nice letter explaining the need for
20 this increase.

21 Yet according to Diversity Journal, Wellmark
22 Blue Cross Blue Shield received a revenue of 3.3
23 billion dollars.

24 And according to their own Web site, the
25 company's total assets are 2.4 million and total

1 liability in 2014 of apparently only \$912,000, which
2 left a total reserve of 1.5 million in 2014.

3 The CEO almost brings in \$300,000 a year,
4 with stock awards and option awards.

5 Maybe it is time that Wellmark take stock of
6 their company and see where they can tighten their
7 belts to save money for their clients whom they claim
8 to care so much about instead of increasing premiums
9 of their clients, because I come before you today to
10 say my belt is so tight I can barely breathe, and I
11 cannot afford a raise in premium. Thank you very
12 much.

13 COMMISSIONER GERHART: Thank you for those
14 comments.

15 Is there anyone else in Burlington?

16 MS. HUNCHCROFT: My name is Marie Hunchcroft
17 [phonetic]. And I guess I'm somewhat surprised at
18 how small of a turnout there was for this conference
19 today. I'm highly disappointed in that, because it's
20 one of those things, you know, what's apathy? Well,
21 who cares? And I know there are a lot of people out
22 there that really do care about these rate increases,
23 and we need to reach out beyond the teleconference
24 and get more comments, because it's almost to the
25 point where it's going to become a revolution. People

1 aren't going to pay these rates. And then what?

2 MS. ADRIAN: Hello my name is Barb Adrian,
3 and I have owned and been a part of the governor's
4 targeted small business for the past 25 years.

5 One of the first things that I did as we
6 started the company 25 years ago was to make a
7 commitment that all my employees would always have
8 good health insurance. It was a benefit that I felt
9 was a requirement for me to be in business and to
10 take care of my employees, so we had a small group
11 policy with Wellmark for I'm going to say 20 years or
12 so.

13 And then Wellmark said, no, you're too small
14 for us, and we're not going to let you be a group
15 anymore.

16 So then we had to get individual policies
17 for each of us, because my staff had been reduced
18 from 10 to 7 employees. I now have seven. And so we
19 each had to get individual policies.

20 So we did that. And First Medical, my
21 company, paid--pays for their premiums, each of my
22 employees, and they contribute about \$40 a month
23 toward that cost, and we have continued to absorb the
24 annual increases through the years in order to
25 provide that benefit for my staff.

1 Now, individually, for the first time--I
2 guess it was about two years ago--I was diagnosed
3 with multiple sclerosis. So for the first time in 25
4 years it's rather ironic that I, as the president and
5 owner of the company, became the first one to actually
6 need and depend on my Wellmark coverage, which I must
7 admit has been extraordinary.

8 However, none of my employees have ever made
9 any claim ever, not an emergency room visit, not--
10 absolutely no claims for my folks.

11 And so when this rate increase came to my
12 attention, it was dramatically impactful to me
13 because I am responsible for my seven employees and
14 because myself, I am no longer taking a salary from
15 my store I own and haven't for the past three years.

16 So I have to individually consider the
17 impact on my personal finances as well as the impact
18 on my staff at the store.

19 Then the other side is that we are a medical
20 equipment and supply company, so I am a provider for
21 Wellmark. Medicare and Medicaid and Wellmark are our
22 three primary sources of revenue.

23 And so if you're asking me if I can increase
24 my prices at the store to cover these kinds of
25 increased costs, I simply cannot because Medicare,

1 Medicaid and Wellmark determine what my price is, and
2 I have to accept that. So I can't pass these cost
3 increases along to anyone. We just have to absorb
4 them.

5 And we simply cannot do that, so this really
6 jeopardizes the continuation of what is one of the
7 last independent medical supply companies in Iowa and
8 the only targeted small business for medical equipment.

9 So I think that there's a genuine threat to
10 small businesses everywhere who are just trying to
11 provide benefits to our staff, and it is an
12 impossible situation for which there is no good
13 answer, except that I want to comment that Wellmark
14 has, for the past at least 10 years, reduced their
15 payments to providers, like ourselves, every single
16 year. So I am being paid less and less and less for
17 Wellmark equipment and supplies every single year, so
18 it is not a price increase or a cost increase certainly
19 in medical equipment, and I can attest to that.

20 So where the price increases or cost
21 increases are coming have got to be with giant
22 hospitals, who we all know are making so much money
23 that it's outrageous.

24 So I'm not sure what the answer is here, but
25 it is not to ask small business people and individual

1 folks, who are just trying to get by and manage, to
2 accept those kinds of rate increases.

3 So I very much ask that you not approve the
4 increase asked for from Wellmark. Thank you.

5 COMMISSIONER GERHART: Thank you, Barb,
6 appreciate those comments.

7 We'll go to Carroll now.

8 Anyone like to make a comment in Carroll?

9 Go ahead.

10 MR. SCHULTES: I'm Mike Schultes in Carroll
11 here. With the proposed increase, our rates are
12 going to go up about \$5,000 a year here, and this
13 year is kind of a bad year for us. We've had some
14 medical problems and stuff. And, you know, we've
15 been treated fairly well and that; but as a small
16 business owner, we can't offset the price to justify
17 that.

18 I've got a small construction firm. We
19 build houses and stuff, and I've got four guys
20 working for me, and I try to help with the insurance
21 and stuff; but there's just no way to absorb these
22 prices and not pass it on.

23 And in the marketplace where we're at, you
24 can't continually raise your prices. It's just
25 getting-- Right now our rates are about 1700 a month,

1 and we're going to go up, you know, 25 percent, so
2 that's, you know, a pretty good increase, and it's
3 just getting outrageous that every year Blue Cross
4 goes up just because they can.

5 So I would like them to hold their prices
6 down. And, you know, like the other gal said, look
7 at their interior structure and, you know, they don't
8 always have to take a raise. I haven't had a raise
9 in five years, and I've had two vacations in six years.

10 You know, it's just getting a little
11 outrageous that they can always do this.

12 And our deductible goes up every year. So
13 it's, I don't know, uncalled for, I think.

14 Anybody else?

15 COMMISSIONER GERHART: Thank you, Mike, for
16 those comments.

17 I don't see any others from Carroll.

18 Go to Cedar Rapids.

19 MR. RICHARDSON: Hi.

20 COMMISSIONER GERHART: Please identify
21 yourself.

22 MR. RICHARDSON: My name is Judah Richardson.
23 I'm 31. My wife is 30. We're both covered under
24 Wellmark currently. I live in Bettendorf actually,
25 but-- Our house is in Bettendorf, but I work in Cedar

1 Falls actually for John Deere during the week, and
2 then I come back to the Quad Cities on the weekends.

3 I just want to tell you my experience. Both
4 my wife and I were laid off. We lost our jobs. We
5 were both out of a job for about--a year and a half
6 me, for a year for my wife; and during that time she
7 had to go back to school to extend our benefits, and
8 of course in doing that she incurred even more
9 student loans.

10 I recently got a new job, but it's contract,
11 so no benefits of course provided with that, so I
12 hopped on Wellmark and brought my wife with me.

13 And so currently we are in the recovery
14 stage financially from having lost our jobs, so this
15 rate increase will be pretty serious for us.

16 I've heard a lot of people talk about the
17 lack of comments that they've received not necessarily
18 for Wellmark but also the other insurance companies
19 have received in this hearing.

20 I want to point out that my wife and I
21 received notice for this rate increase just last
22 weekend. It's not that we had a month to look over
23 it or anything. We got it in the mail last weekend,
24 and of course we have about 50 minutes to discuss it
25 before we had to discuss other things, and then I was

1 gone during the week again.

2 So I made sure I was able to attend this
3 morning, and I'm glad I'm here, but I can imagine
4 there are a lot of people who have a lot going on in
5 their lives and are very busy. They receive this
6 with only a week's notice and probably are not able
7 to put together time to make space in their schedule
8 to attend. I'm glad to be here.

9 As far as I understand, the price of medical
10 care is negotiated between providers and the
11 insurance; and so when this idea of a rate increase
12 comes across, it sounds as if they are--it sounds as
13 if they're just passing the bulk of their expenses on
14 to their consumers, their members.

15 Why not negotiate the price of the cost of
16 the medical care with the providers they're getting
17 the care from?

18 If you're finding that your costs are
19 higher, go to your providers. Go to Genesis, go
20 Trinity, all of those people, or Walgreen's or CVS,
21 your network, and say, "Hey, look, you know, this is
22 more expensive than we expected. Let's renegotiate
23 something." Don't necessarily just throw the costs
24 back onto your members.

25 Also, let's see, as penalties, as far as I

1 know, under the Affordable Care Act, penalties for
2 not having insurance will actually rise. So you can
3 think of it from an incentive point of view, the
4 holdouts are probably the people who are actually in
5 better health condition than those who actually need
6 insurance and, you know, have to be on board.

7 So as the penalties rise, you're going to
8 have more people joining your pools, and so the pool
9 is going to get healthier because more and more of
10 those healthy people are going to be joining, so your
11 costs should actually probably go down or probably be
12 evened out when those healthy people probably
13 compensate for the people who signed up earlier.

14 So I would think intuitively your costs will
15 probably trend downward as that happens.

16 So my suggestion to Wellmark, I mean I
17 understand the problems and challenges they face. My
18 dad as I grew up was employed in the finance
19 industry, so I understand dollars and cents.

20 What I'm saying is there are ways to get
21 around the increase in costs rather than just like,
22 saying, "Hey, you guys pay some more." You know,
23 right now we pay I think it's going to be like \$798
24 for both my wife and I per month. That is actually
25 more than our mortgage payment for our house. It is

1 more than my rent payment for the apartment--the
2 little apartment I have. It's not much. All I have
3 is a bedroom and kitchen in Cedar Falls, and I stay a
4 week so I can work and provide for my family.

5 You know, we-- It's going to be really
6 difficult for us to sustain a 26.5 percent rate increase.
7 That's--I mean that's more than the 3 percent or 5
8 percent or lucky bonus that we get every year.

9 So there are other ways to get around your
10 increase in costs. You're going to have healthier
11 people joining, and you can always renegotiate prices
12 with your providers.

13 And I'm pretty sure those contracts are not
14 set in stone. You can say, "Hey, this stuff is
15 costing us more." You know, a couple of years ago I
16 went to get a skin tag removed from my face. All the
17 dermatologist had to do was spray liquid nitrogen on
18 my face and tear it off; \$250 for 15-second procedure.

19 What is that, like \$3,000 an hour or
20 something? That's--I don't know, I did the math off
21 the top of my head.

22 I mean renegotiate your prices. Some of
23 this stuff--these procedures are way overpriced.

24 You know, you can go through and see what's
25 costing more than it should be. If someone is

1 charging you \$500 for a blood test, or something, or,
2 you know, \$6,000 for a procedure that takes 15
3 minutes and only uses a knife or-- I don't know, I'm
4 not a medical professional, but I mean have that-- I
5 mean not just have people who do the dollars and
6 cents go over it but have medical professionals go
7 over it. "Should this actually be costing this
8 much?" Renegotiate instead of passing on to your
9 poor members who are struggling and trying to recover
10 from the recession and the--you know, trying to
11 rebuild their lives.

12 So that is my comments.

13 I highly strongly suggest that this rate
14 increase be denied because there are other ways to
15 get around it, and there are other ways for Wellmark
16 to continue to perform well financially without just
17 lazily throwing the--passing the buck on to the
18 members.

19 So thank you very much for having me.

20 COMMISSIONER GERHART: Thank you, Judah.

21 Is there anyone else in Cedar Rapids?

22 (No response.)

23 COMMISSIONER GERHART: Okay. We'll go to
24 Council Bluffs.

25 Go ahead.

1 MS. SOLON: Hi. My name is Connie. Thank
2 you for the opportunity to speak today.

3 First of all, I wish this hearing was for
4 only one company instead of all three, because time
5 is running short, and we're not able to address the
6 concerns of all three companies.

7 My current premium is \$695.82 a month. With
8 a 26 1/2 percent increase, my premium will increase
9 \$184.39, making a total premium of \$880.21. This
10 does not include any individual rating factor increase,
11 which they most certainly will have. This will make
12 my premium for myself only over \$900 a month.

13 I cannot afford the \$900 health insurance
14 premium. I have a \$3500 deductible, in addition to a
15 \$900 a month premium.

16 In the past 2 years I have declined
17 suggested tests and procedures by my physician simply
18 because I cannot afford these costs.

19 I have always carried health insurance.
20 I've been with Wellmark for 30 years. I am solely
21 responsible for my own health care.

22 I can no longer afford this insurance. I am
23 asking you to not approve this increase. Thank you.

24 COMMISSIONER GERHART: Thank you, Connie.

25 Is there anybody else?

1 MS. KOGER: Yes. My name is Chris Koger,
2 and I'm just a newer person to Wellmark, only just
3 for the past couple of years; but last year, January
4 2015, they raised my rates about a hundred dollars,
5 and then they want to raise it again this January
6 another hundred and some dollars.

7 Thank goodness my husband is on VA, or else
8 I wouldn't be able to afford this, which I really
9 can't anyway.

10 I might have to try to find new insurance or
11 drop this totally and just be stuck with the penalty.

12 I don't qualify for the Obamacare because I
13 make too much money. (Inaudible.) Thank you.

14 COMMISSIONER GERHART: Thank you, Chris.

15 Anybody else in Council Bluffs?

16 (No response.)

17 COMMISSIONER GERHART: Mason City?

18 Is there anyone in Mason City, Mary?

19 MS. BUTLER: Yes, Sir. I have a couple of
20 people who would like to talk.

21 COMMISSIONER GERHART: Okay.

22 MS. BUTLER: They're going to come up to the
23 main mike.

24 COMMISSIONER GERHART: Okay.

25 MS. GAST: My name is Cheryl Gast, and some

1 of these things I'm going to read off are probably
2 repeated, but I still want to say them because I
3 think I would feel better.

4 I retired in June 2014, and my actual school
5 policy carried me until the end of August. I was on
6 a new Wellmark policy four months and my premiums
7 jumped \$100 a month more in January of 2015. I had
8 not even seen a doctor yet or used my insurance.

9 With a \$5400 deductible policy, I feel my
10 premiums are way too high without another 27 percent
11 increase for 2016.

12 I am trying to be a healthy 63 year old. I
13 exercise, eat sensibly, don't go to the doctor
14 excessively, just for my yearly physical. I don't
15 smoke. And still my premiums rise every year over 25
16 percent.

17 My weight is also within the healthy range
18 for my height. I am very frustrated and feel
19 penalized for trying to be healthy.

20 I worked in a school system for 31 years,
21 and I know low-income families who use the emergency
22 room repeatedly for minor ailments.

23 I don't go to the doctor unless it is
24 absolutely necessary because it is so expensive; but
25 some families would think nothing of going into the

1 emergency room quite often.

2 Is the reason for the increases so others
3 can get their health care free.

4 And you are smashing the American dream of a
5 no-worried retirement. The average middle class
6 person cannot afford a 25 percent increase every year
7 for their health insurance.

8 I also have a question for insurance
9 companies. Are you doing anything to try to get the
10 drug companies to lower their prices? If not, they
11 play a huge problem that's driving costs up for
12 consumers and Wellmark.

13 COMMISSIONER GERHART: Thank you, Cheryl.

14 Is there anybody else in Mason City?

15 MS. BUTLER: Yes, there's one more.

16 COMMISSIONER GERHART: Thank you.

17 MS. MARKHAM: Hi. My name is Marge Markham
18 from Osage, and I retired last year in February. I
19 did get to go on my husband's Wellmark policy that he
20 has had for about a year, and so it was pre-Obama;
21 but our rates are--I think we pay almost \$6500, maybe
22 \$7,000 a year, with a \$10,800 deductible, which is
23 5,100. We're both healthy. We work at this--don't
24 smoke again, went to just our wellness physical,
25 which my doctor wanted to do more tests with me being

1 64 now. I was 63 at the time. And I said no, I'm
2 not going to pay. I have to pay. And you know how
3 much blood work costs, and you're talking \$500, which
4 is ridiculous, as someone had mentioned before.

5 The costs are ridiculous. And these
6 hospitals, clinics, prescriptions are ridiculous. I
7 think you do need to try and get them-- I mean if
8 you're in the hospital, how much do you pay for a
9 Band-Aid?

10 I could run to Walmart and pick up a box of
11 Band-Aids. They won't let you use those in there. I
12 mean it's ridiculous. Something has to be done
13 there.

14 And also another thing, and I don't know if
15 the insurance companies can help go after this, but
16 why--why do politicians in government not have to pay
17 for insurance? We're paying their insurance policies.
18 I think if you're working out there, and we're
19 paying, everybody should pay. They make three, four
20 times as much as us middle class people or lower
21 income people. Everybody should have to pay for
22 their insurance and help get these rates down.

23 The increase is going to put us up to \$8,000
24 we pay out for insurance, 10,800 deductible. How can
25 we afford that?

1 I am also very disappointed in the turnout
2 for the comments because talking to people, their
3 attitude is (inaudible)--

4 COMMISSIONER GERHART: Marge, we can't hear
5 you very well.

6 MS. MARKHAM: Is this better?

7 COMMISSIONER GERHART: Much better. Thank
8 you.

9 MS. MARKHAM: Talking to people, I was
10 disappointed in the turnout and the comments made for
11 Wellmark because in visiting with people about the
12 letter, their comment is, "It doesn't do any good at
13 all. It's just like they have made up their mind
14 they're going to do it."

15 I know, like my husband says, "You can go
16 and, yes, what we say is a big concern, but they're
17 not going to do anything about it."

18 The only thing is, is maybe I'll feel
19 better. But, please, I hope for all of these people,
20 just like that woman that talked before that was in
21 tears, I had tears for her, they need insurance. We
22 need affordable insurance, not these kind of costs.
23 Please, listen so us. Even though there is only a
24 few, there's a lot of people that need this done.
25 Thank you.

1 COMMISSIONER GERHART: Thank you, Marge.

2 We'll go to Spencer.

3 Would you like to make a comment?

4 MS. JANNETT: Yes, I would.

5 COMMISSIONER GERHART: Please go ahead.

6 MS. JANNETT: I'm not going to get on
7 camera, but that's okay.

8 COMMISSIONER GERHART: Could you identify
9 yourself at least?

10 MS. JANNETT: I am Denise Jannett
11 [phonetic]. I'm from Storm Lake.

12 First I just want to say a word about health
13 care costs. I know in some instances Blue Cross Blue
14 Shield pays more than actually what the hospital is
15 billing, that they've negotiated a rate with the
16 hospital that is higher than what the hospital
17 normally bills, so I called it an overpayment; but
18 the Blue Cross--the Wellmark representative basically
19 said that the hospital was not charging enough. So I
20 just would like to see something like that changed.

21 But what I'm hearing today too, a lot of
22 people are talking about how disappointed they are
23 people aren't here. And the reason is hopelessness.
24 I mean people are just hopeless when it comes to
25 insurance. They feel they're hopeless and helpless.

1 And the No. 1 cause of bankruptcy in this country
2 right now is health care expenses.

3 The rate increase is a major cause of the
4 most prominent economic problems this country has,
5 the loss of the middle class. If these increases
6 continue every year, I believe that people will just
7 give up their policies or they will go into
8 bankruptcy, and that's not a good thing for anyone.

9 So I beg you, Commissioner, please do not
10 allow this huge increase or, in my opinion, any
11 increase for our insurance premiums.

12 Thank you.

13 COMMISSIONER GERHART: Thank you.

14 All right. I think we're going to go to Des
15 Moines now. There are people here who would like to
16 comment. Go ahead. And press down on the microphone
17 and please identify yourself.

18 MR. SEATON: My name is Mark Seaton. My
19 wife and I have been self-employed since 1999. We
20 have a four-person family that we're solely
21 responsible for insurance for.

22 Thank you for the opportunity to speak.
23 Thanks for all the people here, as well as in the
24 remote locations, that have turned out and spoke up
25 regarding this rate increase.

1 This is the first time I've ever come to a
2 public comment, and I kind of echo some of the
3 comments made in Mason City and Spencer. I think the
4 low turnout is because--at least I can speak for
5 myself and obviously in a couple of other locations,
6 nobody thinks this is going to do any good.

7 You're going to increase. You're going to
8 accept the rate increase, and, you know, I may have
9 wasted my time coming here; but having gone 16 years
10 on this plan, and 14 out of the 16 years have had an
11 increase that was higher than 6 percent, which is the
12 threshold that you mentioned for review and public
13 comment.

14 Six of the last seven years have been
15 double-digit increases. The last four years-- We did
16 change our policy two years ago because of the
17 double-digit increases, and we went to a higher
18 deductible, a higher co-pay. We just could not
19 afford the premiums anymore.

20 But if I extrapolated backwards for those
21 last four years, they would have been 17.83 percent
22 increase, 14.5 percent increase, 18.3 percent, and
23 now 26.5 percent. That's just unsustainable. We
24 cannot keep going at that pace and expect to be able
25 to afford health care as well as all the other things

1 that we need.

2 We have looked at dropping insurance. We
3 looked last year at dropping insurance.

4 For 2014 the penalty was 1 percent of AGI,
5 and, you know, looking back on it, we would have been
6 better off.

7 2015 is 2 percent, and I've done a
8 calculation through the first six months, and we
9 would be better off without insurance and just pay
10 the penalty.

11 2016 is 2.5 percent.

12 There were some comments in the letter that
13 we received. Since the Affordable Care Act went into
14 effect, more people and more services are covered,
15 claims have been much higher than expected.

16 I was reading an article from the *New York*
17 *Times* that was republished in the *Kansas City Star*,
18 and just highlighting a few of the comments in here,
19 new customers under the Affordable Care Act turned
20 out to be sicker than expected. Some may start
21 wondering if insurance is affordable or if it's worth
22 the money.

23 Still adjusting to shock waves set off by
24 the Affordable Care Act.

25 To get low premiums they sometimes need to

1 accept a more limited choice of doctors and hospitals.

2 Some say the marketplaces have not attracted
3 enough healthy young people.

4 Over the next three years I hope rates will
5 start to stabilize.

6 And I'm just going to repeat that over the
7 next three years I hope rates will start to stabilize.

8 We've had four years of double-digit
9 increases, and I'm hoping when the Wellmark
10 representative comes up, they can give us some
11 insight on what the projected increases are going to
12 be for the next three years.

13 I've been in business long enough to
14 understand that, you know, businesses do have to
15 forecast into the future, and I've got to believe
16 that Wellmark is forecasting into the future.

17 Are we really looking at three years before
18 rates stabilize? I hope not.

19 I mean this is going to become a U.S.
20 economic problem that is unsustainable, and there was
21 a comment in this article about failing to attract
22 healthy young people.

23 The people that are going to opt out of
24 insurance and pay the penalty are the healthy people.
25 You know, this is taking the healthy people out of

1 the system, and it's going to become a death spiral
2 of ever-increasing rates and people opting out.

3 It's unsustainable, and I ask for your help
4 in doing a legitimate review and not just accepting
5 these rate increases that I have seen accepted year
6 after year after year.

7 The other thing I would like to hear from
8 the Wellmark representative when he or she has an
9 opportunity to speak is the--of the 26.5 percent
10 increase, 21.8 percent was due to medical trend and
11 the government risk sharing program.

12 I would be interested in a breakdown of what
13 that is. You know, how much of that is medical
14 trend, medical technologies, just purely the cost of
15 health care; and how much of that is governmental
16 factors, the 3 Rs that you're talking about, because
17 that's a big chunk of the 26.5 percent, and I think
18 we deserve a better breakdown of what that is.

19 I am to a certain extent concerned about the
20 admin expenses, which was listed as a 3.6 percent
21 increase.

22 If there was the 21.8 percent, I would be
23 very concerned, but a 3.6 percent increase seems
24 pretty minimal; but given the rate of inflation being
25 in the 1 to 2 percent and actually pretty stable for

1 2015, I would just like some justification of that
2 3.6 percent increase in administrative expenses.
3 What is the supporting information for that?

4 Overall, the 26.5 percent increase, if we
5 stay on the same plan that we have right now, will be
6 an increase of \$4,300 for my family for a year. That's
7 pretty hard to come up with.

8 If I look back over the last four years that
9 I talked about where we had four years straight of
10 double-digit increases, had we stayed on the same
11 plan, which we didn't, had we stayed on that same
12 plan, our rate would have increased 202 percent in
13 those four years, from \$10,200 a year to a projected
14 number in 2016 of \$20,600 a year for a four-person
15 family with a \$5,000 deductible--per person deductible.

16 I can't say the word enough unsustainable.
17 We've got to put an end to this. I don't know what
18 the answer is, but I'm here to ask for your help.

19 COMMISSIONER GERHART: Mark, thank you for
20 those comments.

21 MR. MARTIN: Hello. My name is James
22 Martin, M-a-r-t-i-n. I have several points here.

23 So consolidation, okay, I know my sons have
24 the insurance by Cigna, and it was bought by somebody
25 called Atrium or something.

1 COMMISSIONER GERHART: Anthem.

2 MR. MARTIN: Anthem. Okay. And today I had
3 heard that Aetna is buying Coventry.

4 COMMISSIONER GERHART: Aetna did buy
5 Coventry.

6 MR. MARTIN: And Wellmark Blue Cross Blue
7 Shield, it used to be Wellmark I guess, and it used
8 to be Blue Cross Blue Shield. So sooner or later
9 we're all going to have just one company providing
10 everyone with insurance if this goes on, so I wonder
11 if people, you know, think about that.

12 And so now we have Angel today who she's
13 doing a fine job explaining things, but why is one
14 person talking for all three companies?

15 And then we have another person from each
16 company, one person from Wellmark, one person from
17 Coventry, one person from the Gundersen. Why do we
18 have another layer of bureaucracy there? We're
19 paying money for all of that.

20 And now what about the 6 percent increase?

21 Angel said that the 6 percent increase--the
22 young man just said something about this too. She
23 said that the 6 percent increase is--if companies
24 want to charge higher than 6 percent, they must go
25 through a more extensive process.

1 Well, how is the 6 percent determined, and
2 why would this be suggested if it wasn't reasonable?

3 And so what's the point of having the
4 insurance industry of the government or whatever come
5 up with this 6 percent if people aren't going to say
6 anything about it or look at it?

7 A 30 percent increase is six times--five
8 times a 6 percent increase.

9 And that's all I had to say. Thank you very
10 much.

11 COMMISSIONER GERHART: Thank you, James.

12 Anybody else in Des Moines who wants to make
13 a comment?

14 MS. KOLMEN: I'm Jody Kolmen, a resident of
15 West Des Moines. I've been a Wellmark customer for
16 many years.

17 Just switched to an ACA compliant policy,
18 and it's a burden to pay \$5,000 a year in premiums,
19 and with this increase it will be almost a financial
20 hardship for me. I'm not working, and I've pretty
21 much never worked a day in my life; but I have good
22 investments, and I'm going to have to tap into my
23 investments and sell some stuff--sell some stocks and
24 bonds in order to pay for this, and that's not very
25 good for me because that's what I have to live on.

1 COMMISSIONER GERHART: Thank you.

2 Anyone else in Des Moines?

3 MS. PRASANNA: Thank you for giving me the
4 opportunity to speak today. My name is Harini
5 Prasanna, and I've been having this Wellmark
6 insurance for the last two years.

7 And last year there was an increase in the
8 premium for about \$30, which made me upset; and again
9 this year there is a whopping 26.5 percent increase
10 which I received in the mail, and I felt-- It shocked
11 me, and I felt that it was really out of control.

12 And this one is going to make me--make it
13 about \$90.75 per month approximately, but \$1200 per
14 annum increase in premium.

15 Well, there is-- For the last two years I
16 don't have any increase in my income. Okay. And all
17 household groceries, you know, have increased and the
18 rent increase is about \$60 per month, and which is
19 again out of my control as there is no public hearing
20 like this for that, and I have to absorb this.

21 And, well, I am in to contracting jobs, and
22 I'm not a permanent employee. I'm just contracting,
23 and I do not get my benefits for insurance.

24 And I never smoke, or I never drink, and I
25 always try to keep fit, and still I have to pay a

1 very high premium.

2 I have a question to Wellmark and just want
3 to know that, you know, are they trying to negotiate
4 with drug companies and hospitals and service providers,
5 rather than increasing our premiums by 26.5 percent?

6 Why I'm asking this is because last week
7 when I was at the doctor for less than 60 seconds, it
8 cost me \$200.

9 And similarly, like, you know, Vitamin D
10 tests cost \$98, which is not covered by insurance at
11 all. I had to pay the full amount of out of pocket
12 apart from paying \$300 a month premium per person.

13 So I'm just concluding. I mean I believe
14 that, you know, the Iowa Insurance Commissioner will
15 review all the comments, and I request you not to
16 approve this incredible increase in the base premium
17 rate. Thank you.

18 COMMISSIONER GERHART: Thank you.

19 Is there anybody else before Wellmark comes
20 up?

21 (No response.)

22 COMMISSIONER GERHART: Okay. I think
23 Wellmark's representative will have --

24 AN UNIDENTIFIED SPEAKER: Cedar Rapids.

25 COMMISSIONER GERHART: Hold on.

1 Cedar Rapids, we'll go to you. One second,
2 please.

3 Is there someone in Cedar Rapids?

4 MS. DYKSTRA: Yes. Can you hear me?

5 COMMISSIONER GERHART: I can hear you.

6 MS. DYKSTRA: Okay. Thank you very much. I
7 drove all the way up here, and I really wanted to say
8 my piece.

9 COMMISSIONER GERHART: Identify yourself,
10 please.

11 MS. DYKSTRA: My name is Cindy Dykstra
12 [phonetic], and it's just my husband and I on our
13 insurance, and, you know, we're healthy, and we
14 haven't used it, you know, other than regular check-
15 ups.

16 I have one question first of all. When you
17 said that our insurance was--or premium was
18 determined by where we live, what do you mean by
19 that?

20 COMMISSIONER GERHART: So there's really
21 four rating factors under the Affordable Care Act.
22 It's size of your family, whether or not you smoke,
23 your age, and where you live in the State of Iowa.
24 We're divided into seven geographic regions, so there
25 is a variance in cost depending on what part of the

1 state you live in, and that's predominantly dictated
2 by the providers in that region.

3 MS. DYKSTRA: And why is that?

4 COMMISSIONER GERHART: That's the way the
5 law is written, and that's how we've determined the
6 state should be divided.

7 MS. DYKSTRA: Okay. All right. So my
8 comment is, I'm just wondering if anybody's ever
9 thought of this. There are studies that show us that
10 our foods are full of pesticides, chemicals that are
11 toxic to our bodies, and the more we eat it, you
12 know, it can cause sickness and disease.

13 I feel that we need to get education out
14 there for people to realize that. Otherwise how can
15 you expect medical costs to go down when the food
16 we're eating is basically causing these diseases?
17 And I'm just wondering what's been thought of that or
18 haven't thought of that, or what can we do to get
19 that word out?

20 COMMISSIONER GERHART: Well, I don't eat
21 that way, but you're right, there's a lot of education
22 that goes into that, so I think it's on us as consumers
23 to be informed of what we put in our body.

24 MS. DYKSTRA: Okay. So wouldn't it be a
25 smart plan for--I don't know, for the insurance or

1 states or something to come up with something to
2 inform people? I mean I tell everybody I know, but,
3 you know, they're not always going to listen to one
4 person.

5 COMMISSIONER GERHART: Well, I know our
6 public health department does some work on that, but
7 I don't disagree with what you're saying.

8 MS. DYKSTRA: Okay. So I think we need to
9 look at that. Obviously the health department isn't
10 doing a good enough job, because the insurance
11 companies are saying that they can expect health
12 issues to increase over the next few years, so why
13 not do some more educating of people, maybe even pass
14 some laws about our food and what kind of chemicals
15 and toxins they're using on them, so that people are
16 not getting sick.

17 COMMISSIONER GERHART: All right. Thank
18 you, Cindy.

19 MS. DYKSTRA: Okay. Thank you.

20 MS. STRAFFMAN: I was wondering if I can say
21 something too, please?

22 COMMISSIONER GERHART: Go ahead. Identify
23 yourself.

24 MS. STRAFFMAN: I'm sorry. My name is
25 Rebecca Straffman [phonetic]. I'm an individual

1 policyholder, and a couple of things that were kind
2 of ringing inside my mind when people were talking is
3 this feeling of hopelessness and helplessness that
4 some of us are feeling because of the pinch on this
5 raise in the premiums; and my concern, especially for
6 you taking a look at this, the fact that the social
7 implications that this would have on the general
8 public in the sense that people who feel more
9 hopeless and helpless obviously will tend to react in
10 one way or another, whether it's aggressively towards
11 society or to themselves, to their families and
12 whatever.

13 I mean psychologically we know that it could
14 be very heavy on many people if these increases
15 continue in the future, as we know that this is
16 probably going to be the case, and I think we need to
17 obviously put a hold on this and try to keep these
18 premiums down because if people are not able to
19 afford health insurance, they're going to react. And
20 obviously we are seeing on the news--even now we are
21 seeing Americans upset of the way America is going,
22 turning towards other places like ISIS. They're
23 turning on their fellow human beings aggressively,
24 and I think we need to take a look at this, of trying
25 to relieve stress in the society, and one of the ways

1 is obviously economically of reducing these--or
2 keeping premiums to where people can pay them and
3 receive the care that they need.

4 That's just a comment that I would like to
5 make.

6 COMMISSIONER GERHART: Thank you, Rebecca.
7 Now we're going to hear from the Wellmark
8 representative.

9 MS. JACKSON: I'm going to apologize to all
10 of you as I turn my back, but I will gladly stay
11 after and talk to any of you so that I can actually
12 look you in the eye and have a conversation if you
13 have a question.

14 So as I turn my back and address everybody,
15 I'll speak as loudly as I can so you can hear me; but
16 again, my name is Laura, and I'll be happy to talk
17 with you. Okay?

18 Well, good morning. I think by now it's
19 probably good afternoon. And, Commissioner, thanks
20 for having the facility available for the hearing.

21 I'm going to start first by saying my name
22 is Laura Jackson, and I'm with Wellmark Blue Cross
23 Blue Shield, and I have been with Wellmark for about
24 13 years now.

25 And I want to first say I'm not going to

1 read from a script that I brought. I really just
2 want to talk to everyone.

3 As the Commissioner indicated earlier, I'm
4 going to talk a little bit about the conversations
5 I've been having with friends and family after the
6 proposed rate increases were shared with folks and
7 shared with the public and try to share with you how
8 I have tried to explain it to friends and family; and
9 then I do want to go through and address some of the
10 questions that were raised at all the sites and also
11 here in Des Moines.

12 So I want to first start by saying a lot of
13 times people will run to me in advance of a rate
14 hearing, because we have had these for last several
15 years, and people say, "Oh, gosh, you know, it's
16 really got to be tough. It has to be the worst part
17 of your job."

18 And what I want to say to everybody, it is
19 really not the worst part of my job. It is probably
20 the most complex part of my job, and it's important,
21 and I am listening.

22 I'll just be blunt. Rate increases stink.
23 They do. And it is not something that any of us take
24 in a light-hearted fashion.

25 It's a lot of math. It's a lot of

1 expertise, and it is already unsustainable. I heard
2 several people say that they are concerned about
3 sustainable. It is already unsustainable. These
4 increases we know are not going to keep health
5 insurance in reach of most Americans, and so I'm the
6 first to tell you I get that.

7 So when I think about the comments that I
8 read on the Web site for the Division, and I just
9 want to highlight too, I received a letter this last
10 week, and basically it was a consumer who had taken
11 one of the letters that we had sent out explaining
12 the rate increase, and they wrote their own letter
13 back to me, and they explained how their financial
14 situation looks, and it's much like what we heard
15 from folks here today, which is "I can't afford my
16 health insurance, and I'm not going to put it before
17 food."

18 And I am the first to tell you-- I'm not
19 going to tell you I know how that feels, but that is
20 not where our society should be.

21 So I'm going to talk a little bit about
22 what's happening inside these insurance products.
23 And, again, I'm not trying to make excuses. I just
24 want to tell you what we know.

25 And so here's what we know. So when we look

1 at the increases that we're asking for, we don't
2 manufacture a product, if you will. What we actually
3 do is we look at the risk of a population rather, the
4 health conditions and the ways that people have been
5 being cared for. We try to anticipate the type of
6 costs they will incur in the future.

7 And as one gentleman talked earlier, there
8 are a lot of smart actuaries trying to do that type
9 of math to figure this out; and what I would tell
10 you, the rate increases we're asking for this year,
11 they were wrong. And it is math, and it is trying to
12 predict the future.

13 And the reason that it was so difficult is
14 about 50 percent of the new members that we received,
15 we had never insured before. And so I just want to
16 give a highlight of actually what we saw. Because I
17 think I can explain it simply. There's certainly a
18 lot of details that go into it and a lot of folks in
19 our company spend a lot of time on this very topic.

20 But what we really saw in this particular
21 population is we anticipate that people will have
22 catastrophic things happen to them. Meaning they'll
23 go to the hospital. They might spend in excess of
24 \$50,000, sometimes into the millions for maybe a baby
25 in a NICU. And we anticipated that we would have a

1 lot of folks that would be in serious conditions like
2 that. But we were off by almost 20 percent.

3 So 20 percent more people than we even
4 thought would have high-dollar conditions where they
5 would be hospitalized for periods of time, there were
6 many more of those folks.

7 The second biggest driver, and I heard a lot
8 of people reference this, was drug costs, was
9 prescription drugs.

10 So we thought that people would be taking a
11 lot of prescriptions to treat their conditions. We
12 were off by a third. There were a third more
13 prescriptions being written for folks in this
14 population than we anticipated.

15 And on top of that, the actual costs for
16 those prescriptions were almost two times more than
17 we had anticipated.

18 So for those of you that have gone through a
19 serious condition recently, say, cancer or a
20 diagnosis of MS, if you have hepatitis C, the drugs
21 to treat these conditions are in the tens of
22 thousands, sometimes hundreds of thousands of dollars
23 in a given year; and I would love to tell you that we
24 can control those costs. We can negotiate with
25 pharmacy benefit managers to try to really gain, you

1 know, some traction with negotiating those costs.

2 But drug companies can raise their prices at
3 any time on us, and we do our best to try to work
4 with them to keep them as low as possible for you,
5 the consumer. I wish we had more leverage there. We
6 don't.

7 The other thing that's a nuance in the
8 Affordable Care Act is individuals can actually buy
9 an insurance policy, seek services, and they can
10 actually cancel their coverage at any time.

11 And while it's not the biggest driver of the
12 increase, we did see a balance of over 100
13 individuals that actually sought services and then
14 terminated their policy, and they actually incurred
15 more costs in the services they received than the
16 premiums which they paid in, which then leaves the
17 premiums for others to compensate for.

18 So I shared those four highlights to say I
19 wish we were better predictors, but human beings
20 encounter different things in their lives, and I wish
21 we could predict that better.

22 This is a new population with new needs. So
23 the good part of the ACA is that people who have had
24 excess demands and health conditions where they were
25 not able to afford to be treated, they are seeking

1 care now that they have access to health insurance.

2 But what does that do? Many of the people
3 that I heard comment here today are healthy individuals
4 and never use their policies.

5 We know that in our--just our experience,
6 about 17 percent of our members every year never have
7 a claim in the health care system, yet they pay their
8 premium; and so it is hard to understand, "Why do I
9 get a rate increase when I didn't use my policy?"
10 And that goes to the essence of insurance.

11 It is everybody paying money into a pool,
12 and on any given day or any given year when I don't
13 incur any claims, I'm paying for someone else who
14 did. I'm paying for a baby that was born with
15 premature conditions. I'm paying for someone whose
16 wife had cancer treatment, and it's someone I
17 probably don't know, and that is the hard part about
18 insurance.

19 So with those comments in mind, I just want
20 to address some of the questions that I heard from
21 folks both in the remote sites and here in Des Moines.

22 So I think I heard a couple of comments in
23 Burlington about, you know, being a healthy person,
24 making sure really that we can try to help those
25 individuals understand and get more for the policy

1 that they're paying for. So I hope I've addressed
2 that in some way, shape or form.

3 Barb, I heard you talk about your concern
4 about someone telling you that you could not be a
5 group, that you were too small, and you had to buy
6 individual policies.

7 I certainly don't want to overstep my
8 bounds, but if it is appropriate, if you would let
9 the Insurance Commissioner or the Consumer Advocate
10 let us know, someone has truly misinformed you, if
11 it's a broker or someone inside Wellmark. I would
12 love to speak with you. You're never too small to be
13 a group if you're an employer. So we would like to
14 talk to you more about that to see if we can help.

15 In Carroll, Mike, you also talked about
16 being a small business owner, and we know that this
17 is very challenging. One of the things we are looking
18 at are some different ways that we can produce unique
19 and different products for small business owners with
20 some incentives for healthy behavior.

21 So I think when you get to 2016, there might
22 be some new and different products that potentially
23 could help you.

24 And I believe it was Judah, I hope I'm
25 saying your name right, in Cedar Rapids. You laid

1 out the right question, "Wellmark, what are you doing
2 to negotiate with providers of care, and can't you go
3 renegotiate those contracts?"

4 And the easy answer to that is, we actually
5 have very subtle contracts with providers of medical
6 care. I'll address Part B in just a moment.

7 But when you think about physicians and
8 nurses, and those that deliver care on a regular
9 basis, we have very good contracts in place from a
10 price perspective, so just one service and how we
11 negotiate those individual prices.

12 Where we have seen the true increase is in
13 the number of services people are receiving and the
14 expensive technology being used.

15 So, for example, maybe an individual that
16 has diabetes all of a sudden has congestive heart
17 failure. So they are receiving more services when
18 they see the physicians, so there's a higher
19 utilization, if you will, or technology.

20 I go in and I have a broken ankle, or I
21 have, you know, a pain in my side. Instead of an
22 x-ray, I actually then get prescribed by a provider
23 to get a CAT scan. Exponentially more expensive.

24 And so when you think about the three
25 factors that drive those costs, we work diligently

1 every day with providers of care to try to figure out
2 how we can minimize the utilization of technology
3 where appropriate.

4 There were a couple of folks in Council
5 Bluffs, again really just talking about the
6 affordability. I don't think there's anything I can
7 say today that's going to make anybody feel any
8 better. I concur it is not sustainable, and again I
9 can sympathize. I can empathize.

10 In Mason City, Cheryl, you talked about
11 being retired, again, a healthy person; and, Marge,
12 you talked about being healthy as well, and the cost
13 of care and these drug companies and, you know, "I
14 have no claims."

15 One of the things I want to highlight, when
16 you think about the cost of drugs, one of the things
17 we have done, and the Insurance Division is well
18 aware of this, effective 2016 on January 1, we are
19 actually changing to a different pharmacy benefit
20 manager.

21 We do believe that this national company,
22 which is CVS/caremark, has the ability to leverage
23 better prices from pharma companies; and we have a
24 commitment inside that contract to every single one
25 of our policyholders, we will pass all of those

1 savings on to our members. The intent is not for us
2 to save any of that money to place in reserves or
3 anything else. The intent is to pass that on. I do
4 believe while I think the cost of care will go up, I
5 do believe you will feel a difference in the cost of
6 your prescription drugs.

7 In Spencer--I apologize, I'm trying to read
8 my writing here. Denise, you talked about us paying
9 more to a provider than what was charged. Again, I
10 will ask the division if I can get your name. I can
11 explain that circumstance, and I'd be happy to do
12 that for you. It's probably a little bit more than
13 everybody else wants to hear because it's a
14 technicality, but I do assure you, we don't pay them
15 more than they're due.

16 Here in Des Moines and, Mark, again I
17 apologize for having my back to you. I appreciate
18 your loyalty of being a member for 16 years, and I do
19 understand that when you talk about the rate of
20 increase, again, I'm not sure that I can say any more
21 to make anyone feel better. When you talk about
22 projected increases, we do try to look out ahead.

23 And I sit a lot with our actuaries. I don't
24 set our pricing, but I certainly do push back and
25 say, "Can you double, triple check it?" Because when

1 I heard double-digit increases in the 20ish percentage,
2 my first reaction was, "Go back and look at the data.
3 I mean this can't be happening."

4 When we look out in the future, we don't see
5 a better picture over the next one to two years
6 simply because of what I talked about earlier, the
7 cost of drugs. And what's really happening in a lot
8 of the new drugs hitting the market, they are
9 multiples, in terms of tens of hundreds of thousands
10 of dollars.

11 When I look at even the health of our
12 population, we have to all figure out how to live
13 healthier lifestyles, whether it's, Cindy, what you
14 talked about in Cedar Rapids, whether it's pesticides
15 in our food or our drinking water, whether it's our
16 lifestyle and the way we don't exercise. We have
17 chronic conditions that are truly epidemics in this
18 country. And so we don't see that getting better in
19 the population that we look at as we price our
20 products, and we certainly don't see a lot changing
21 in the way some of the providers are delivering that
22 care.

23 So when we also then move into some comments
24 made here in Des Moines about, you know, again
25 negotiating with the drugs and hospitals, one of the

1 things that I would encourage everyone here to do,
2 because a lot of times people say, "What is Wellmark
3 doing?" I can tell you that we are working very
4 closely with providers of care. We are giving them
5 data like we've never given them before to help them
6 understand how they can reduce unnecessary costs in
7 the health care system, help them coordinate care.

8 I talk to members often that don't find any
9 "health" in the health care system. They don't know
10 where to go when they get diagnosed.

11 We have to have a sustainable health care
12 system that actually takes care of people and helps
13 them through this process.

14 We spend a lot of money unnecessarily
15 because it doesn't work that way today. As I said,
16 we are changing pharmacy benefit companies and
17 working more closely with pharmacists in both the
18 states that we serve; and we hope to do more in terms
19 of actually changing more, really pay for value, if
20 you will, versus pay for the actual costs.

21 And the third thing that I hope that some
22 people know that we're actively doing is really
23 working in communities, helping them to make their
24 communities more livable and make them more healthy.
25 There are things we can do in our every day lives to

1 become more healthy citizens.

2 And lastly what I would say is how you can
3 help us help you is challenge the cost, and to use
4 the transparency tools that are really emerging in
5 the health care space. Find out if it's cheaper to
6 go to one location versus another.

7 What you'll find in many cases is there's
8 opportunities where maybe you could go to different
9 pharmacist to get a prescription for a different
10 price or a different facility to receive maybe a CAT
11 scan or an x-ray, and it will be cheaper.

12 Those transparency tools are there. And if
13 you help us, we can help you in that regard to where
14 we could be intelligent consumers of care.

15 So I will kind of wrap my comments up.
16 Commissioner, and everyone here today, thank you for
17 letting me just have a moment to share with you our
18 perspective.

19 And, again, I'm more than happy to stay
20 after for questions, or if we can get access to some
21 of the folks making comments.

22 COMMISSIONER GERHART: Thank you.

23 I want to give everybody Angel's phone
24 number and e-mail so you have that. It's area code
25 515-281-4038. Again that's 515-281-4038.

1 And her e-mail is angel.robinson@iid.iowa.gov;
2 so angel.robinson@iid.iowa.gov.

3 The comment period is still open, so if you
4 have other comments and want to share those with us,
5 please feel free to do so.

6 Laura, we appreciate you offering those
7 remarks.

8 And, you know, we actually had a dialogue
9 here that's probably been missing, to be honest with
10 you, from the national stage; and as I sit here, you
11 know, I have peers all over the country that are
12 looking at rate increases actually a lot bigger than
13 these, and up to 50, 60 percent, I think, in some
14 cases.

15 So it is a dialogue that, you know, I heard
16 a lot today around affordability, accessibility,
17 sustainability; and I share those concerns. I think
18 that we do have to get our arms around it, and the
19 insurance part of it is one piece; but we heard a lot
20 of really good informed comments today around things
21 like provider contracts and what happens when you
22 actually use the insurance.

23 And a few comments, you know, as a
24 commissioner, when I heard somebody say, "Well, I've
25 actually used Wellmark and was very happy with the

1 coverage," that makes me feel good. If you use the
2 insurance, and it works for you, that's important too.

3 And in our state we've seen what happens if
4 a company doesn't do well and doesn't have the right
5 reserves. So, you know, from our perspective, it
6 doesn't help anybody in the state if a carrier can't
7 pay their bills. So we're very acutely aware of that
8 as well.

9 So I appreciate everybody coming here this
10 morning, and I'll stick around for a little bit if
11 anybody has questions of me.

12 But, again, if Angel is contacted, feel free
13 to call her at any time.

14 With that, we're going to close the hearing.

15 (Proceedings concluded at 12:30.)
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C E R T I F I C A T E

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

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

Dated at Des Moines, Iowa, this 11th day of August, 2015.

/s/Eileen Hicks
CERTIFIED SHORTHAND REPORTER