

Actuarial Memorandum
Wellmark Health Plan of Iowa, Inc.
Individual Business
Effective January 1, 2016

Purpose

The purpose of this filing is to request no rate change for both existing Individual Grandfathered and Transitional (AKA Grandmothered) products for Wellmark Health Plan of Iowa, Inc. It is not intended to be used for any other purpose.

Summary

Rate Changes Requested

Category of Business	Rate Adjustment
• Grandfathered Products	0.00%
• Transitional Products	28.7%

Grandfathered Business

Wellmark is requesting to have no rate change for the effective period of January 1, 2016 through December 31, 2016. These products currently have 1 member enrolled and all plans are closed for new sales.

Transitional Business

Wellmark is requesting the same increase of 28.7% for this block of business as ACA compliant Individual Wellmark Health Plan of Iowa, Inc. business for the effective period of January 1, 2016 through December 31, 2016. There were 1,772 policies representing 3,004 members on these plans as of April 30th, 2015. These plans were initially issued on May 1st, 2012. Since this business is so newly underwritten, we expect the claims trend to be higher than Wellmark, Inc. individual business has been experiencing.

An experience rating methodology was used to calculate a needed rate increase for this business. A calculated rate change of 42.1% was calculated using a 10.0% trend assumption. Due to underwriting wear-off and the fact that these plans are not available for new sales, claims trend could possibly be higher. Each of the last two years have experienced paid claims trend in the 10% to 20% range. Due to the low average premiums of this block of business, our target loss ratio is 75.8%. With a 28.7% rate increase the projected loss ratio for the rating period is 82.9%. This loss ratio is higher than the minimum medical loss ratio (MLR) requirement of 80% in the individual market. However, the MLR requirement is defined with different criteria and therefore not comparable to the Target Loss Ratio in this filing. Also, other plans in the individual market (ACA business) are also included in Wellmark Health Plan of Iowa's loss ratio for the MLR requirement.

There is limited data available for this business. The last two years of claims trend was reviewed for this business and it is fairly high due to underwriting wear-off. The last two years of claims trend are shown below, but an annual trend amount of 10% was used in the rate calculations. A summary of the experience rating calculation for this business is included in Appendix A.

Appendix A

Below are the most recent 2 years of paid claims trend for the transitional block of business.

<u>WHPI Paid Claims Trend</u>	<u>Trend</u>
12 Month Trend, Incurred Period Ending 12/31/2013	14.0%
12 Month Trend, Incurred Period Ending 12/31/2014	16.9%
Chosen Trend Assumption for this Filing	10.0%

The table below outlines the details of the experience-rating methodology used to calculate the needed rate increase for grandfathered and non-grandfathered Wellmark Health Plan of Iowa plans. Again, Wellmark is requesting a 28.7% rate increase for these plans.

WHPI Rate Calculation	
1. Paid Claims PMPM (3/1/2014-2/28/2015):	\$104.00
2. Completion Factor:	÷ .8761
3. Completed Paid Claims PMPM:	\$118.71
4. Trend to Rating Period (10.0% Annual):	× 1.1909
5. Projected Paid Claims in Rating Period (1/1/16-12/31/16):	\$141.38
6. Administrative Costs PMPM:	+ \$45.15
7. Needed Premium PMPM:	\$186.52
8. Income at Present Rates PMPM:	- \$125.39
9. Service Fee PMPM:	- \$5.52
10. Age Impact PMPM:	- \$2.82
11. Needed Increase to reach Needed Premium PMPM (42.1%):	\$52.79

Appendix B

Appendix B is included with this filing as additional background for informational purposes. Wellmark is not requesting review and approval of this information. It is provided only as further explanation of factors, other than base rates, that may affect members' premiums.

Individual Changes in Premium

Wellmark has filed a request for changes to the base rates used to determine premiums, as required under Iowa law. However, other factors not subject to review and approval may affect an individual's premium. These factors include changes in coverage, including but not limited to changes in benefits, payment obligations (such as deductible, coinsurance and copayments), the number of covered family members, members' ages, changes in tobacco user status, or other factors that require adjustments to the total premium.

Demographics:

Individual health premiums are attained age rated, meaning rates are adjusted periodically as a person gets older. The amount of change can vary, depending on the current age of the individual. For instance, the change can be low (less than 2%) or significantly more for younger ages (as much as 25%).