Wellmark®

UNDERSTANDING PROPOSED 2017 PREMIUMS

HOW WELLMARK IS ADDRESSING COSTS

Individual Under 65 ACA Plans in Iowa

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UNDERSTANDING ACA PLAN TRENDS

At Wellmark, we understand the frustration involved with continually rising health care costs. As an Iowa-based company, employing over 1,800 Iowans and South Dakotans, we genuinely care about our members who are, in many cases, our friends, family and neighbors. As such, we do not take it lightly when we need to modify health insurance premiums to help cover the cost of overall medical expenses.

While we feel it's important to share the reasons behind the proposed premiums for 2017, it's also important to note that our members are receiving the health care they need — the reason for health insurance. Services are being used for very serious health conditions, life-changing medications and in some cases, end-of-life care.

KEY LEARNINGS FROM INDIVIDUAL ACA PLAN USAGE:

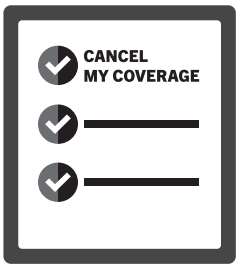
1 LARGE CLAIMS ARE SKYROCKETING

The cost and frequency of claims over $100,000 continues to increase at alarming rates. There has been a **200% increase** in the overall cost of care for conditions greater than $100,000. In addition, the number of members with cost of care exceeding $100,000 **doubled** from the prior year.

2 SPECIAL ENROLLMENT PERIODS ARE A CONCERN

Members who enroll through Special Enrollment Periods **cost nearly double** the amount of other members. In addition, these members often **cancel coverage** after receiving services.

This trend is not unique to Wellmark. Many health insurance companies across the nation are seeing the same trends.

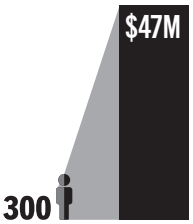


3 CONTINUED INCREASE IN VOLUME AND COST OF SPECIALTY DRUGS

The cost and volume of prescription specialty drugs continues to be a primary driver of medical trend and **increased by 100%** over the prior year. These drugs are treating and managing chronic and complex medical conditions like hemophilia, multiple sclerosis and hepatitis.

4 A FEW DRIVE COSTS FOR EVERYONE

The purpose of insurance is to pool premiums to help pay for everyone's health care services. For this group of members in 2015, we have seen that **300 members** are driving **25% of the costs** for the entire group, equaling **$47 million.**



HOW PREMIUMS ARE SET

Setting insurance premiums is a complex process of reviewing past claims to forecast future claims, and therefore, cost. Because we are required to file 2017 premiums in Iowa by May 11, 2016, we are using the full year of 2015 claims to forecast 2017 costs.

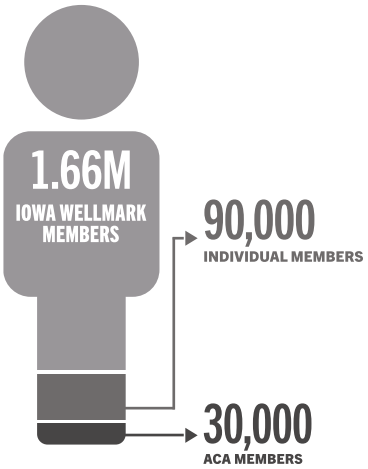
Per the key learnings outlined here, ACA members used substantially more expensive services in 2015. In fact, for every $1.00 in premium paid by members, Wellmark spent $1.27 to pay for the cost of services.

	2015 Projected	2015 Actual
Health Claims	.85	1.15
Government Fees	.03	.02
Administrative Expenses	.12	.10
Total	$1.00	$ 1.27

In forecasting costs for 2017, we also have to plan for the reality that two of the provisions of the Affordable Care Act that were designed to stabilize the cost and risk of the market are set to expire in 2016. The reinsurance and risk corridor provisions were designed to help protect health insurance companies against unpredictable losses or unmanageable risk, and – importantly - keep consumer's premiums from spiraling out of control. This, combined with the other factors outlined here is why Wellmark is proposing an average base rate increase for individual ACA plans of 37.8 – 42.6 percent, effective January 1, 2017.

ABOUT WELLMARK'S INDIVIDUAL ACA MEMBERS

Individual Under 65 ACA plan members represent less than two percent of Wellmark's overall business in Iowa – or around 30,000 members.



YOU ARE PROTECTED FROM UNNECESSARY PREMIUM INCREASES

Please know that the Affordable Care Act (ACA) protects you from unnecessary increases in premiums and prevents health insurance companies from using rates to make up for past losses or excessive profits. If health insurers overprice policies and do not pay out enough in health care claims, they are required to rebate money back to members. At the same time, if we underprice, we simply lose money as a company.

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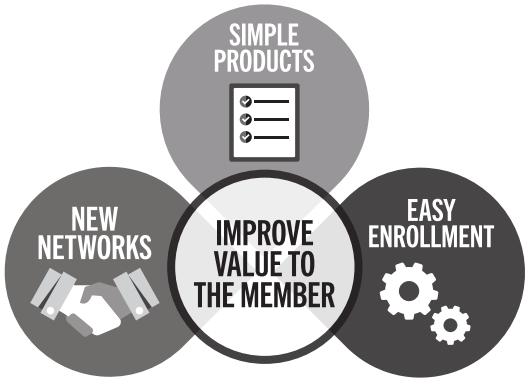
HOW WELLMARK WILL TRANSFORM THE INDIVIDUAL MARKET

The individual market remains one of the most challenging and complex across the health care industry. We know continued premium increases are unsustainable. Our members have confirmed that by communicating with us loud and clear:

- They want relief from rising premiums
- They want simpler health insurance plans
- And, they want cost transparency

We agree. That's why we have taken actions to transform the member experience and the way we do business in the individual market to improve value to our members. In 2017, we will:

- Introduce new networks with providers to deliver care differently and more efficiently
- Offer simplified plan designs to make costs more transparent and predictable for members
- Improve the shopping experience for our individual members for plans both on and off the public exchange



NEW NETWORKS

In order to be successful in the individual segment as well as on the public exchange, we have formed two new health insurance companies with providers who are committed to managing the care of our members - one with Mercy Health Network and one with the University of Iowa Health System. These new joint ventures allow us to:

- Deliver high performance, select network products for the individual and small group markets both on and off the exchange in Iowa only
- Place our public exchange products in specific service areas
- Collaborate in delivering care more effectively through a carefully managed network
- Potentially reduce the total cost of care

The new plans from both companies will be offered to Iowans this fall for a Jan. 1, 2017, effective date.

NEW, SIMPLIFIED PLAN DESIGNS

Wellmark will also introduce new, simplified health insurance products in Iowa and South Dakota. The new plans will be unlike anything else on the market today. They are designed to help consumers understand the true value of care through simple, tiered copay plans – providing members with transparency and predictability of cost as they seek and use medical services.

The new plan designs will eliminate the guesswork members have today in trying to understand what health care services will cost. They will know the cost up front, before engaging in services, and they will be able to better track where they are in terms of their out of pocket maximum. We believe these plans will help members be more engaged in their health care decisions as well as improve overall outcomes.

IMPROVED SHOPPING EXPERIENCE

As we prepare to enter the public exchange, we want to ensure that our members receive the same high quality customer experience as they do today. We have invested in the necessary technology and partnerships to deliver a new shopping and enrollment experience for our individual members who purchase both on and off the public exchange.

Even though other carriers are choosing to exit the public exchange, we believe this is a critical time for us to be on the exchange as our members seek access to subsidies that could help reduce the cost of their health insurance premiums for themselves and their families.

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