

Golden Rule 2018 Pre-ACA Rate Filing Observations

- The 27% average rate increase proposal affects the company's pre-ACA (grandfathered and transitional) blocks of business. The 27% original proposal is a flat across-the-board rate increase, does not vary by plan, and covers over 4,400 lives on nearly 11-million dollars of premiums. See brief summary table below:

* Overall % Rate Impact: 27% (modified to 22% by IID after negotiation)

Written Premium Change: \$2,414,253

of Policyholders: 2,017 (4,485 lives)

Written Premium: \$10,898,428

- For any medical insurance rate increase proposal, the review involves analyzing the carrier's experience (premiums vs. claims), trend (the growth in the cost of the claims caused by unit cost increases along with utilization increases), and other assumptions to determine if the rate increase proposal is actuarially justified. A technically sophisticated analysis with several different models are utilized to gauge the validity and reasonableness of the proposal. The type of analysis utilized, the formulas and methodology, and overall process have developed over a period of many years and have been reviewed by consulting actuaries for completeness and appropriateness.
- Two reviews are conducted to confirm the carrier's proposal. An internal review is conducted by the Insurance Division's (IID) actuary and another review is independently conducted by a consulting actuary (of our choosing) on a contracted basis. The dual review system has been in place for 9-years. Along with the key observations noted here, we will also post the consulting actuary's written report on our website.
- Key observations from the IID review: Un-trended past loss ratios for this block have averaged just under 82.6% over the last 25-months. (Federal law requires a minimum medical loss ratio of at least 80% otherwise the carrier must rebate premiums to affected lowans). In the absence of a rate increase for calendar year 2018, the IID projects a loss ratio of over 98% which significantly exceeds the 80% minimum.
- IID trend models justify a trend rate between 9 and 10 percent based upon a review of the PMPM claims and adjusted loss ratios. With the current loss ratios and the growth of claims increasing between 9 and 10 percent, the IID's projected loss ratio is just over 81% *after* the *22% rate increase is applied. In the event the loss ratio dips below 80% with the revised rates, affected lowans will receive a rebate under Federal law.
- * After the initial review was conducted internally by the IID and externally by the consultants assigned to the filing, a slight modification to the proposal was deemed necessary to secure approval. The primary reason for the 5-point modification to the proposal is due to the observation that the projected loss ratios with the 27% proposal dipped below 80%. With the 5-point modification, the projected loss ratios (assuming a 22% increase, are just over 81%. The decision to approve or disapprove the modified proposal ultimately rests with the Commissioner.
- The average premium increase is \$50/ month, i.e., \$272 (2018 projected average premium) less \$222 (current average premium). This is an average based upon all members, all age groups, all benefit plans, all geographic regions, etc).
- While not necessarily part of a traditional actuarial rate review, Golden Rule has posted an underwriting loss of over \$1,000,000 for calendar year 2016 based upon a review of the 'Supplemental Health Care Exhibit' contained within their Annual Statement to the Iowa Insurance Division. The underwriting loss referenced above is only for Golden Rule's individual book of business as opposed to their small and large group books of business.