

Wellmark 2018 Pre-ACA Rate Filing Observations

- This 12.2% average rate increase proposal affects the company's pre-ACA (grandfathered and transitional blocks). The proposal varies from 9.4% to 14.2% which amounts to 12.2% on average weighted by written premium. See brief summary table from the SERFF rate filing:

Overall % Rate Impact:	12.20%
Written Premium Change:	\$33,100,695
# of Policyholders:	38,228 (73,013 lives)
Written Premium for this Program:	\$272,151,888
Maximum % Change (where required):	14.20%
Minimum % Change (where required):	9.40%

- This is a large block affecting over 73,000 covered lives and over 272 million dollars of total premiums.
- 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 nearly 86% over the last 7-years. (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 approximately 94% which significantly exceeds the 80% minimum.
- IID trend models justify a trend rate between 8 and 9 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 8 and 9 percent, the IID's projected loss ratio is approximately 83 to 84 percent *after* the 12.2% increase is applied. We see little chance of the loss ratio dipping below 80%, however, in the event this occurs, affected lowans will receive a rebate under Federal law.
- The average premium increase is \$44 / month, i.e., \$406.67 (2018 projected average premium) less \$362.57 (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, Wellmark has posted an [underwriting loss of nearly \\$29,400,000](#) 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 Wellmark's individual book of business as opposed to their small and large group books of business.