

## MEMORANDUM

TO: Iowa Media  
RE: Wellmark rate increase  
DA: Tuesday, March 9, 2010

Senator Chuck Grassley made the following comment about the response he received from Wellmark to his February 23 inquiry about the insurer's rate increase. A copy of Grassley's original request follows the statement.

"Two weeks ago, I asked Wellmark a series of questions in a letter to the CEO, after the insurance company announced its big rate increase for Iowans. I'm glad my letter got more information for consumers on the rate increase. It also seems to have gotten the attention of the Governor, who now has temporarily reversed his own insurance commissioner. The delay and independent review might be coming a little late, but we'll all have extra time to look at the rate increase more closely.

"I got an initial response from Wellmark on Friday, and it may be along the lines of what the independent actuary finds in the next 30 days. The response provides some answers, but I still have strong concerns about the level of increase, especially given Wellmark's significant reserves. This deserves more investigation, along with other things.

"Health care costs are increasing at an unsustainable rate, especially for people buying insurance on their own. What's worse, the pending health care legislation that could be pushed through Congress in the next three weeks would make health insurance premiums go up even more than they are going up already. That's according to the Congressional Budget Office. On top of that, the health care bills passed by the House and Senate, and now the President's version of those bills, would give \$400 billion in direct payments to the insurance industry. That's money for insurance payments taken from tax increases and Medicare cuts. The insurance industry benefits from this bill becoming law because it mandates that every American buy health insurance and it creates a new entitlement program that pays subsidies directly to insurance companies to buy health insurance, two things President Obama opposed when he was a candidate for office. The pending health care legislation fails to take on rising health care costs and premiums, and that's a major reason why Congress should start fresh, and get quickly to work on health care reforms where there's broad-based agreement to drive down costs for individuals, families and employers, and impose stronger rules on insurance practices and, by doing so, make coverage more accessible."

For Immediate Release

Tuesday, February 23, 2010

Grassley asks Wellmark for information about rate increase

WASHINGTON – Senator Chuck Grassley is asking Wellmark for information about its plan to increase health insurance rates.

In a letter sent today, Grassley requested an accounting of the factors considered, including any independent actuarial analysis, data about reserves, and documentation of the insurer's effort, announced in 2007, to make itself a true nonprofit.

"I'm asking because Iowa consumers deserve to know, and as the health care debate in Washington continues, insurance rate increases are a major issue. The health reform legislation passed last year would not drive costs down. In fact, health reform bills passed by the House and Senate would cause premiums to go up even more than they already would have gone up, according to the Congressional Budget Office," Grassley said.

The text of Grassley's letter to Wellmark is here.

February 23, 2010

Mr. John Forsyth  
Chairman and Chief Executive Officer  
Wellmark Blue Cross and Blue Shield  
636 Grand Ave  
Des Moines, IA 50309-2565

Dear Mr. Forsyth:

As the senior senator from Iowa and Ranking Member of the Senate Committee on Finance, I am writing regarding Wellmark Blue Cross and Blue Shield's plan to increase health insurance premiums by as much as 22 percent on April 1, 2010. At a time of record unemployment rates and sluggish wage growth, I'm concerned that a rate increase of this magnitude could force some Iowans to drop health insurance entirely. This would not only have a negative impact on the health of Iowa citizens, but could also place a greater financial burden on providers that will be forced to deliver more uncompensated care.

Recent reports have stated that Wellmark Blue Cross and Blue Shield plans to raise premiums by an average of 18 percent for approximately 80,000 of its 1.8 million customers. This is almost twice as much as last year's 9.3 percent increase. Moreover, some 44,000 Wellmark beneficiaries will see rate increases as high as 22 percent. I'm particularly concerned about the level of these increases since the Centers for Medicare and Medicaid Services' Office of the Actuary recently reported that health care spending increased by a much lower rate of 5.7 percent in 2009. I understand that the individual and small group health insurance markets face unique challenges regarding adverse selection and that the recent economic downturn has likely exacerbated these challenges. However, I also believe Iowans deserve a clear explanation for why premiums are increasing at a much faster rate than national health care spending.

As Ranking Member of the Senate Committee on Finance, I take my oversight responsibilities very seriously and I have always believed that greater transparency allows consumers to make better choices. Accordingly, in an effort to obtain more information about Wellmark's plan to increase health insurance rates on April 1, 2010, I ask that you respond to the following questions and requests by no later than March 8, 2010. In responding, please repeat the question followed by the appropriate response.

1. What factors were taken into consideration when coming up with the health insurance rates for 2010?
2. Were the 2010 rates reviewed by any independent actuarial firms before being presented to the Iowa Insurance Division? If so, please provide a copy of this independent analysis and any supporting documentation.
3. Please provide a report on Wellmark's average Medical Loss Ratio in its individual and small group products for each of the last five years along with a description and explanation of the factors involved.
4. Please provide a report on the amount held in reserves for each year for the past five years along with an explanation of how Wellmark Blue Cross and Blue Shield's reserves compare to any minimum levels required by the Iowa Insurance Division, and whether Wellmark utilized any reserves to mitigate rate increases for 2010 or for any year within the five year period.
5. In 2007, Wellmark announced its goal to be a pure non-profit and reduce profits to 0 percent. Please provide copies of Wellmark's Form 1120, U.S. Corporation Income Tax Return, for the past five years. Please also provide copies of all studies and reports used to determine compensation for the officers listed on Schedule E of Form 1120.

Thank you for your attention to this important matter. While there are strong differences of opinion on how to improve the U.S. health care system, there is widespread agreement that health care spending levels are unsustainable. Your answers to the questions listed above will not only be informative for Iowa consumers, but will also be helpful as Congress considers potential policy solutions.

Sincerely,

Charles E. Grassley  
Ranking Member