



TERRY E. BRANSTAD  
GOVERNOR

SUSAN E. VOSS  
COMMISSIONER OF INSURANCE

KIM REYNOLDS  
LT. GOVERNOR

May 6, 2011

Gary Cohen  
Acting Director, Office of Oversight  
Department of Health & Human Services  
Centers for Medicare & Medicaid Services  
7500 Security Boulevard, Mail Stop C2-21-15  
Baltimore, MD 21244-1850

**RE: Iowa's Request for Adjustment to Medical Loss Ratio Standard**

Dear Acting Director Cohen:

This letter will respond to your request for additional information dated April 19, 2011.

1. The Iowa Insurance Division (IID) has not held any forums for public input regarding the state's application for an adjustment to the MLR standard. Commissioner Voss has, since the enactment of PPACA had informal discussions with consumer groups, legislators and the industry about the MLR standard and its potential impact on carriers doing business in the state of Iowa.
2. IID has not conducted an analysis specific to the ability of issuers to meet an 80 percent MLR standard or to provide rebates to enrollees. In the course of preparing a legislative report regarding health spending costs, aggregate health insurance data concerning loss ratios of health insurance carriers licensed to do business in the state was calculated. Based on information reported by issuers for individual comprehensive major medical coverage, an inference could be made regarding the issuers ability to meet an 80 percent MLR standard based on 2009 data provided in the report. The specific exhibit is provided below.

Appendix B: Loss Ratios

	ICMM Loss Ratios, 2007	ICMM Loss Ratios, 2008	ICMM Loss Ratios, 2009
American Family	68%	50%	65%
American Republic	49%	54%	52%
Companion Life	68%	67%	94%
Coventry	51%	69%	65%
Federated Mutual	792%	638%	1065%
Golden Rule	63%	60%	57%
Health Alliance			
John Alden	87%	77%	83%
Medical Associates			

Principal			
Time Life	78%	74%	95%
United HealthCare River Valley			
United HealthCare			
Wellmark of Iowa	82%	86%	88%
Wellmark, Inc.	80%	83%	95%

3. IID is unable to publicly disclose the names of such smaller carriers.
4. The 55 percent loss ratio described in Iowa Administrative Code 191-36.10 applies to medical expense policies that are conditionally renewable (renewal can be declined by the insurance company only for stated reasons other than deterioration of health). The 55 percent loss ratio also applies to medical expense policies that are guaranteed renewable (renewal cannot be declined by the insurance company for any reason, but the insurance company can revise rates on a class basis. The 60 percent loss ratio applies to medical expense policies that are optionally renewable (renewal is at the option of the insurance company).
5. IID is unable to publicly disclose the names of carriers that have already entered into binding, multi-year agent commission agreements and provider contracts. Without identification of the particular carriers, the practical impact of such agreements and contracts is that carriers are estopped from reopening those agreements and negotiating more favorable terms which would enable the carriers to substantially satisfy the 80 percent MLR standard.
6. Iowa's individual marketplace resembles other states in that market share is concentrated among few carriers, some of which hold a significant portion of the market with the remainder spread among carriers that are smaller, more local or regional. These carriers have significant history in Iowa and have played an important role in sustaining Iowa's economy. Without an adjustment to the MLR standard some of these smaller but significant carriers will likely exit the marketplace, further concentrating the marketplace.

We trust this information will assist the Secretary in making an informed assessment and determination as to whether to grant the IID's request for an adjustment to the MLR standard for the Iowa individual market.

Sincerely,

Angela Burke Boston  
Assistant Commissioner