



# STATE OF IOWA

TERRY E. BRANSTAD  
GOVERNOR

SUSAN E. VOSS  
COMMISSIONER OF INSURANCE

KIM REYNOLDS  
LT. GOVERNOR

March 21, 2011

The Honorable Kathleen Sebelius  
Secretary, U.S. Department of Health & Human Services  
200 Independence Avenue, SW  
Washington, DC 20201

Re: Waiver of Individual Market Medical Loss Ratio

Dear Secretary Sebelius:

Pursuant to Section 2718 of the Public Health Service Act, this is a request for a waiver of the 80% minimum medical loss ratio requirement for the individual health insurance market policies in Iowa until 2014.

Nonetheless, absent a waiver, I believe that the federal MLR standard may disrupt our individual health insurance market. The Iowa market has one dominant carrier which already meets the 80% loss ratio but Iowa has a number of smaller carriers which need time to adjust their business models to comply with the minimum loss ratio.

I request a determination that prior to 2014, implementation of an 80% medical loss ratio requirement may destabilize the individual health insurance market in Iowa, and a phased in adjustment to the MLR of 60% for 2011, 70% for 2012 and 75% for 2013.

I look forward to our discussions relating to this request. Please feel free to call me directly at (515) 281-5907 or Angela Burke Boston at (515) 281-4119.

Best regards,

A handwritten signature in cursive script that reads "Susan E. Voss".

Susan E. Voss  
Commissioner

***Information regarding the State's individual health insurance market***

- a) Current MLR standard in the individual market, including formula used to assess compliance:

Iowa Administrative Code 191-36.10 prescribes a loss ratio of 55 to 60 percent. The formula is calculated by dividing incurred claims by earned premium.

- b) Market withdrawal requirements

Describe any requirements with respect to withdrawals from the individual health insurance market. Such requirements include, but are not limited to, any notice that must be provided and any authority the State regulator may have to approve a withdrawal plan or ensure that enrollees of the exiting issuer have continuing coverage, as well as any penalties or sanctions that may be levied upon exit or limitations on re-entry.

None

- c) Mechanisms to provide options to consumers

Describe the mechanisms available to the State to provide consumers with options in the event an issuer withdraws from the individual market. Such mechanisms include, but are not limited to, a guaranteed issue requirement, limits on health status rating, an issuer of last resort, or a State-operated high-risk pool.

<b>Mechanism</b>	<b>Description</b>
Iowa Comprehensive Health Association/HIPIOWA	State-operated high risk pool

Iowa Comprehensive Health Association (known as HIPIOWA) is Iowa's alternative mechanism approved pursuant to HIPAA. The high risk pool provides health plans to federally eligible individuals or individuals with qualifying medical conditions who have been unable to obtain coverage in the individual market. HIPIOWA offers a PPO product with deductibles ranging from \$1,000 up to \$10,000. The benefits provided are commensurate with benefits being offered in the individual market including continuous enrollment with annual renewal. There is a six month pre-existing condition exclusion that is waived for HIPAA eligible individuals or individuals with prior creditable coverage. As of December 2010, 3,154 persons were enrolled in HIPIOWA.

d) Issuers in the State's individual market

- 1) For every issuer who offers coverage in the individual market, please provide its number of individual enrollees by product, available individual premium data by product, and individual health insurance market share within the state.

The information requested in this section is confidential under Iowa law and cannot be provided on an individual company basis but will be provided on an aggregate basis. The information received from carriers surveyed showed 179,671 enrollees and premium of \$446,809,198.

- 2) For each issuer who offers coverage in the individual market with *more than 1,000 enrollees*, please provide the following additional information:
  - i) Total earned premium on individual market health insurance products in the State;
  - ii) Reported MLR pursuant to State law for the individual market business in the State;
  - iii) Estimated MLR for the individual market business in the State, as determined in accordance with §158.221 of this part;
  - iv) Total agents' and brokers' commission expenses on individual health insurance products;
  - v) Estimated rebate for the individual market business in the State, as determined in accordance with §158.221 and §158.240 of this part;
  - vi) Net underwriting profit for the individual market business and consolidated business in the State;
  - vii) After-tax profit and profit margin for the individual market business and consolidated business in the State;
  - viii) Risk-based capital level; and
  - ix) Whether the issuer has provided notice of exit to the State's insurance commissioner, superintendent, or comparable State authority.

The majority of the information requested for this section is confidential under Iowa law and cannot be provided on an individual company basis.

Aggregated estimated rebate by year:

2011	\$1,635,620
2012	\$ 228,812
2013	\$ 216,391

A couple of companies have not estimated the rebates they may or may not have to pay and only one company provided an estimate for 2011.

Proposal for adjusted medical loss ratio

A State must provide its own proposal as to the adjustment it seeks to the MLR standard. This proposal must include:

(a) An explanation and justification of how the proposed adjustment to the MLR was determined;

Iowa requests an adjustment to the MLR standard to allow for a transition period over the next three years in order to allow smaller carriers time to change current business models in order to compete with larger carriers. Iowa requests the following phase in period:

- 2011 60%
- 2012 70%
- 2013 75%

Carriers have already entered into binding, multi-year agent commission agreements and provider contracts. Since enactment of the Affordable Care Act, carriers have not had time to adjust their business structure to account for the new MLR. For larger carriers with credible blocks of business this is not a concern as they have sufficient business to offset the restriction on agent commissions, but for smaller carriers in Iowa, who are on the cusp of credibility or who are seeking to grow their current block beyond credibility, the 80% MLR will have a crippling effect on their business model. Market changes that are implemented too quickly causes disruption to the market, due to the smaller carriers being unable to compete against larger carriers.

(b) An explanation of how an adjustment to the MLR standard for the State's individual market will permit issuers to adjust current business models and practices in order to meet an 80 percent MLR as soon as is practicable;

A three-year adjustment would allow time for smaller carriers in Iowa to adjust their business model including amending contracts already entered into with agents and providers. This will allow Iowans to keep the coverage they currently have and it will not cause a disruption in Iowa's health insurance market. By allowing the transition period, this will allow smaller carriers to continue to compete against our more dominant carriers which is good for all Iowa consumers.

(c) An estimate of the rebates that would be paid if the issuers offering coverage in the individual market in the State must meet an 80 percent MLR for the applicable MLR reporting years; and

Aggregated estimated rebate by year:

2011	\$1,635,620
2012	\$ 228,812
2013	\$ 216,391

A couple of companies have not estimated the rebates they may or may not have to pay and only one company provided an estimate for 2011.

(d) An estimate of the rebates that would be paid if the issuers offering coverage in the individual market in the State must meet the adjusted MLR proposed by the State for the applicable MLR reporting years.

Aggregated estimated rebate by year:

2011	\$0
2012	\$0
2013	\$121,921

A couple of companies have not estimated the rebates they may or may not have to pay and only one company provided an estimate for 2011.

**§158.323 State contact information.**

**A State must provide the name, telephone number, e-mail address, and mailing address of the person the Secretary may contact regarding the request for an adjustment to the MLR standard.**

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