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COMMISSIONER OF INSURANCE

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Bulletin 11-06

TO: Small Employer Carriers Doing Business in Iowa

FROM: Susan E. Voss, Commissioner

DATE: August 15, 2011

**RE: Submission and Review Requirements for Small Employer Group Insurance-
Effective Rate Review**

Pursuant to Section 2794 of the Public Health Service Act, added by Section 1003 of the Patient Protection and Affordable Care Act (Pub. L. 111-148, 124 Stat. 119, H.R. 3590, enacted March 23, 2010), the Secretary of the Department of Health and Human Services (HHS) and the States are required to establish requirements and procedures to be followed by states in reviewing rates of insurance carriers. On July 1, 2011, HHS issued a determination that Iowa had an effective rate review program for the individual market but did not meet the criteria for an effective rate review program in the small group market. This bulletin is in response to the HHS determination. Its purpose is to outline the procedures carriers should follow in order for Iowa to continue the sole review of rates in the small group market. Carriers need not submit a rate filing to the Centers for Medicare & Medicaid Services (CMS), but must file the Preliminary Justification, Parts I and II, with CMS according to 45 C.F.R. § 154.215.

Currently, carriers in the small group market certify compliance with Iowa law in an annual filing due each March 1st. That process remains intact, as do the rating guidelines and restrictions set out in Iowa Code Chapter 513B and Iowa Administrative Code Chapter 191-71. Effective with filings submitted on or after September 1, 2011, carriers shall submit rate filings for prior approval to the Insurance Division. Such filings shall be submitted using the System for Electronic Rate and Form Filing (SERFF). Base premium rates and new business premium rates charged to small employers in the State must be submitted for review and a final determination (approval, disapproval or negotiated amount) obtained prior to implementation of the new rates. Identical to the process utilized in the Iowa individual market, in addition to an internal actuarial review, an independent review will be conducted by an external actuary or actuarial firm to determine the appropriateness of the rate filing. Cost of the external review will be borne by the insurance carrier. The external and internal review both will concentrate on the actuarial justification of the proposal, the experience of the policy form/block involved, the insurance trend rate, and prior rate increase history. A loss ratio of 80% will be assumed unless the carrier is able to justify an adjustment which complies with federal law.

Please direct questions regarding this bulletin to Klete Geren at klete.geren@iid.iowa.gov.