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COMMISSIONER OF INSURANCE

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BULLETIN 12-01

TO: Issuers of Health Insurance Coverage in Iowa

FROM: Susan E. Voss, Commissioner

RE: Effective Rate Review Program for Small Employer Group Products and Individual and Small Employer Group Products sold through Associations

DATE: February 1, 2012

This Bulletin complements Bulletin 11-06, issued on August 15, 2011, which outlined the submission and review requirements for small employer group insurance. This Bulletin outlines the effective rate review process for individual and small employer group products sold through associations.

Section 2794 of the Public Health Service Act, as added by the Affordable Care Act requires the Secretary of Health and Human Services, in conjunction with the States, to establish a process for review of “unreasonable increases in premium for health insurance coverage.” The final rule implementing section 2794, at 45 C.F.R. §154.210(b), provides that the Centers for Medicare & Medicaid Services (CMS) will adopt a State’s determination regarding the reasonableness of a proposed rate increase if the State meets the criteria for an Effective Rate Review Program listed in 45 C.F.R. §154.301. The final rule was amended in September 2011 (76 Fed. Reg. 54969, September 6, 2011), to provide that non-grandfathered coverage which would be regulated as individual or small group market coverage if it were not sold through an association is subject to rate review as individual or small group market coverage.

Individual products sold through Associations

This market is subject to the existing rate review process set forth in Iowa Code §505.19 and Iowa Administrative Code 191-36.20. Iowa law requires that a public hearing be held when the proposed rate increase exceeds the average annual health spending growth rate as published by CMS. As of January 1, 2012 the growth rate is 5.8%.

Small Employer Group Products and Small Employer Group Products sold through Associations

The process for review of small employer group products is set forth in bulletin 11-06. Additionally, the Division has created access to Parts I and II of the Preliminary Justification for proposed rate increases by providing a direct link to the CMS website at http://companyprofiles.healthcare.gov/states/IA/rate_reviews?search_method=rate_reviews . The Division has created a mechanism for receiving public comments on proposed rate increases on the Division’s website at <http://www.iid.state.ia.us/ratereviewcomment> . These processes will be utilized in satisfaction of the individual policyholder notification and the public hearing requirements that currently exist under Iowa law for the individual marketplace.

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