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### Bulletin 19-02

To: All Health Insurers Writing Business in the State of Iowa  
From: Doug Ommen, Iowa Insurance Commissioner  
RE: CMS allows extension for transition policies through 2020  
Date: Thursday, April 4, 2019

The purpose of Bulletin 19-02 is to provide guidance regarding the extension of transitional policies in the State of Iowa. The Centers for Medicare and Medicaid Services (“CMS”) announced on March 25, 2019 that health insurers will be allowed to continue transitional policies through calendar year 2020. The Iowa Insurance Division (“IID”) agrees with the CMS decision to allow the transitional policies to continue and will follow the CMS decision.

The IID appreciates CMS once again offering some state flexibility in this regard as has been done each year since 2014. If transitional plans were not allowed to continue, over 82,000 Iowans in individual and group transitional policies would be forced off their healthcare plan and have to seek other coverage. At the end of calendar year 2018, 31,868 Iowans were enrolled in transitional policies in the individual market and 50,650 Iowans were enrolled in transitional policies in the small group market.

While some of the individuals currently with transitional policies may seek shelter in the ACA market, it is very unlikely that many of these transitional policy holders would receive federal subsidies and thus would likely be unable to afford the premiums. Year after year, these Iowans have the opportunity to enroll in an ACA plan but choose to stay in their transitional plan to avoid the massive rate increases they may face through obtaining coverage in the ACA market.

According to Wellmark, for those transitional policy holders in the individual market, “the average rate increase moving from a transitional plan to an ACA-compliant plan is 160%, with 66% of the individuals seeing rate increases of 100%, and nearly 30% of individuals seeing rate increases in excess of 200%.” For those transitional policy holders in the small group market, “the average rate increase moving from a transitional plan to an ACA-compliant plan is in excess of 25%, with nearly a quarter of small businesses seeing rate increases in excess of 50%.”

The structural flaws within the text of the ACA have collapsed Iowa’s individual market. Since 2015 the health of the individual risk pool has steadily declined and rates have now tripled. From January 2016 to December 2018, Iowa went from 74,790 consumers in the market to 37,884.

While transitional plans should not be considered a long-term solution, extending the transitional plans is necessary given the collapse of the ACA market due to the flawed subsidy structure.