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COMMISSIONER OF INSURANCE

PATTY JUDGE
LT. GOVERNOR

**HEALTH INSURANCE IN IOWA
THE CURRENT LANDSCAPE**

Presentation by Susan E. Voss, Insurance Commissioner
Before the Commission on Affordable Health Care Plans for Small Business and Families
Wednesday, June 20, 2007
Supreme Court Chambers
Iowa State Capitol
Des Moines, Iowa

A. Insurance Regulation in Iowa-Background

Mission: The Iowa Insurance Division shall protect consumers through consumer education and by effectively and efficiently providing a fair, flexible and positive regulatory environment.

1. What the Division Regulates-Health Insurance
 - a. Companies doing business in Iowa
 - b. Agents/Producers selling in Iowa
 - c. Certain Rates and Forms (policies)
 - d. Public Self-funded entities
 - e. MEWAs
 - f. HIP Iowa
 - g. Third party administrators
2. What the Division does NOT Regulate
 - a. Medicaid
 - b. Medicare
 - c. Private self-funded health care plans (ERISA)
 - d. Other federal programs, I.E. Champus, Railroad Retirement
3. Insurance Division staff
 - a. Company Regulation Bureau-financial examination
 - b. Market Regulation Bureau-consumer complaints, enforcement, rates and forms, agent licensing, and SHIP program
 - c. Fraud Bureau-Investigation of alleged fraud in insurance industry/market
 - d. Administration-Legislation, administrative rules and insurance consumer education and outreach

B. Current Landscape for Small Employer Group Insurance in Iowa
(Small employer: 2-50 eligible employees)

1. Company Profile

- a. 28 carriers selling small employer health insurance
- b. 6-91.5% of the inforce business
 - Wellmark, Inc
 - Wellmark Health Plan of Iowa, Inc
 - United Healthcare Plan of the River Valley, Inc
 - United Healthcare Insurance Company
 - Principal Life Insurance Company
 - Coventry Health Care of Iowa
- c. Mirrors other states

2. Rate Comparison*

- a. Medical Expenditure Panel Survey (MEPS)-yearly
 - Employee-only rate: Iowa ranked 16th at \$3561
 - Highest: Texas at \$3781
 - Lowest: Utah at \$3034
 - Employee plus one coverage: Iowa ranked 8th at \$6586
 - Highest: Alabama at \$7206
 - Lowest: Colorado at \$6017
 - Family Coverage: Iowa ranked 12th at \$9422
 - Highest: Washington at \$10,217
 - Lowest: North Dakota at \$7800
- b. American Health Insurance Plans (AHIP)
 - Iowa small group average monthly premium-\$747
- c. David Lind and Associates-Des Moines Firm
 - Iowa small group average monthly premium-\$881
- d. Wellmark Blue Cross Blue Shield-Iowa carrier
 - Iowa small group average monthly premium-\$846

*Rates are certified as following statutory guidelines by carriers.
Not pre-approved by the Division.

Estimated 85-86 cents every premium dollar-health care costs.

3. Coverage Requirements

- a. Guaranteed issue
- b. Guaranteed renewability
- c. Portability-creditable coverage
- d. Mandates-28 in Iowa
 - Provider
 - Treatment/illness
 - Coverage
 - Estimated cost-10-15% of rate
 - Comparison
 - Lowest: Hawaii/Utah-22 mandates
 - Highest: Maryland-60 mandates

- e. Mental Health parity-biologically-based illnesses
- f. External Review procedure-medical necessity
- g. Experimental treatment review

C. Individual Market

- 1. Similar to small group in area of mandates and coverages.
- 2. Rates are pre-approved-based on statutory guidelines
- 3. Guaranteed renewability
- 4. No guarantee issue-HIP Iowa available

D. Uninsured Rate

- 1. 3rd or 4th place in lowest uninsured-9.1% uninsured
 - 2. Children under 18-about 5% uninsured
 - 3. Adults-about 11% uninsured
- (Based upon information from Commonwealth Report)

E. New Initiatives in 2007-Not yet implemented

- 1. HF 790-Association Health Plans
- 2. Wellness initiatives

F. Consumer Concerns/Complaints

- 1. Cost-premiums
- 2. Complexity-deductibles, co-pays, maximums, plan design, regulation
- 3. Coverage-explanations, what is and isn't covered

For additional background information, please see "A Primer on Health Insurance in Iowa: The Past, Present and Future," Iowa Insurance Division, December 2006.

House File 790 - Enrolled

AG LIN

HOUSE FILE 790

1 1
 1 2
 1 3 AN ACT
 1 4 ALLOWING CERTAIN ASSOCIATION GROUP HEALTH CARE PLANS AND
 1 5 WELLNESS INITIATIVES, AND PROVIDING AN EFFECTIVE DATE.
 1 6
 1 7 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 8
 1 9 DIVISION I
 1 10 ASSOCIATION GROUP HEALTH CARE PLANS
 1 11 Section 1. Section 509.1, Code 2007, is amended by adding
 1 12 the following new subsection:
 1 13 NEW SUBSECTION. 7A. A policy of group health insurance
 1 14 coverage, as defined in section 513B.2, issued by a small
 1 15 employer carrier, as defined in section 513B.2, to a bona fide
 1 16 association, subject to the following requirements:
 1 17 a. The policy provides group health insurance coverage to
 1 18 eligible employees of members of a bona fide association that
 1 19 are small employers as defined in section 513B.2, and to the
 1 20 spouses and dependents of such employees.
 1 21 b. The policy is issued to a bona fide association. For
 1 22 the purposes of this subsection, a bona fide association is an
 1 23 association which meets all of the following requirements:
 1 24 (1) The association is a trade, industry, or professional
 1 25 association which is organized in good faith as a nonprofit
 1 26 corporation under chapter 504 for purposes other than
 1 27 obtaining insurance and has been in existence and actively
 1 28 maintained for at least five continuous years at the time the
 1 29 policy is issued.
 1 30 (2) The association does not condition membership in the
 1 31 association on the health status of employees of its members
 1 32 or the health status of the spouses and dependents of such
 1 33 employees.
 1 34 (3) Group health insurance coverage offered by the
 1 35 association is available to all eligible employees of its
 2 1 members that are small employers as defined in section 513B.2
 2 2 who choose to participate in the health insurance coverage
 2 3 offered, and to the spouses and dependents of such employees,
 2 4 regardless of the health status of such employees or their
 2 5 spouses and dependents.
 2 6 (4) Group health insurance coverage offered by the
 2 7 association is available only to persons who are eligible
 2 8 employees of a small employer as defined in section 513B.2
 2 9 that is a member of the association, or to the spouses or
 2 10 dependents of such employees.
 2 11 Sec. 2. Section 509.1, subsection 8, unnumbered paragraph
 2 12 1, Code 2007, is amended to read as follows:
 2 13 A policy issued to a resident of this state under a group
 2 14 life, accident, or health insurance policy issued to a group
 2 15 other than one described in subsections 1 through 7A,
 2 16 subject to the following requirements:
 2 17 Sec. 3. Section 513B.2, subsection 6, paragraph a,
 2 18 subparagraph (3), Code 2007, is amended by striking the
 2 19 subparagraph and inserting in lieu thereof the following:
 2 20 (3) The coverages are provided by a policy of group health

2 21 insurance coverage through a bona fide association as provided
2 22 in section 509.1, subsection 7A, which meets the requirements
2 23 for a class of business under section 513B.4. A small
2 24 employer carrier may condition coverages under such a policy
2 25 of group health insurance coverage on any of the following
2 26 requirements:

2 27 (a) Minimum levels of participation by employees of each
2 28 member of a bona fide association that offers the coverage to
2 29 its employees.

2 30 (b) Minimum levels of contribution by each member of a
2 31 bona fide association that offers the coverage to its
2 32 employees.

2 33 (c) A specified policy term, subject to annual premium
2 34 rate adjustments as permitted by section 513B.4.

2 35 Sec. 4. Section 513B.2, subsection 6, paragraph a, Code
3 1 2007, is amended by adding the following new subparagraph:

3 2 NEW SUBPARAGRAPH. (4) The coverages are provided by a
3 3 policy of group health insurance coverage through two or more
3 4 bona fide associations as provided in section 509.1,
3 5 subsection 7A, which a small employer carrier has aggregated
3 6 as a distinct grouping that meets the requirements for a class
3 7 of business under section 513B.4. After a distinct grouping
3 8 of bona fide associations is established as a class of
3 9 business, the small group carrier shall not remove a bona fide
3 10 association from the class based on the claims experience of
3 11 that association. A small employer carrier may condition
3 12 coverages under such a policy of group health insurance
3 13 coverage on any of the following requirements:

3 14 (a) Minimum levels of participation by employees of each
3 15 member of a bona fide association in the class that offers the
3 16 coverage to its employees.

3 17 (b) Minimum levels of contribution by each member of a
3 18 bona fide association in the class that offers the coverage to
3 19 its employees.

3 20 (c) A specified policy term, subject to annual premium
3 21 rate adjustments as permitted by section 513B.4.

3 22 Sec. 5. Section 513B.2, subsection 6, paragraph b, Code
3 23 2007, is amended to read as follows:

3 24 b. A small employer carrier may establish ~~no more than two~~
3 25 additional groupings under each of the subparagraphs in
3 26 paragraph "a" on the basis of underwriting criteria which are
3 27 expected to produce substantial variation in the health care
3 28 costs.

3 29 DIVISION II

3 30 WELLNESS INITIATIVES

3 31 Sec. 6. Section 513B.4, Code 2007, is amended by adding
3 32 the following new subsection:

3 33 NEW SUBSECTION. 6. Notwithstanding subsection 4, a small
3 34 employer carrier may offer to transfer a small employer into a
3 35 different class of business with a lower index rate based upon
4 1 claims experience, implementation of managed care or wellness
4 2 programs, or health status improvement of the small employer
4 3 since issue.

4 4 Sec. 7. NEW SECTION. 513B.4B SMALL EMPLOYER INCENTIVES
4 5 == SUSPENSION OR MODIFICATION OF PREMIUM RATE RESTRICTIONS.

4 6 1. In order to encourage voluntary participation in
4 7 wellness or disease management programs, a small employer
4 8 carrier may offer premium credits or discounts to a small
4 9 employer for the benefit of eligible employees of that small
4 10 employer who participate in such a program. An employee shall
4 11 not be penalized in any way for not participating in such a
4 12 program.

4 13 2. The commissioner shall adopt, by rule or order,
4 14 provisions allowing suspension or modification of premium rate
4 15 restrictions to enable a small employer carrier to provide
4 16 premium credits or discounts to a small employer based on
4 17 measurable reductions in costs of that small employer,
4 18 including but not limited to tobacco use cessation,
4 19 participation in established wellness or disease management
4 20 programs, and economies of acquisition or administration.

4 21 DIVISION III

4 22 EFFECTIVE DATE

4 23 Sec. 8. EFFECTIVE DATE. This Act, being deemed of
4 24 immediate importance, takes effect upon enactment.

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4 28 PATRICK J. MURPHY
4 29 Speaker of the House
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4 33 JOHN P. KIBBIE
4 34 President of the Senate
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5 1 I hereby certify that this bill originated in the House and
5 2 is known as House File 790, Eighty-second General Assembly.

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5 5
5 6 MARK BRANDSGARD
5 7 Chief Clerk of the House

5 8 Approved _____, 2007

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5 12 CHESTER J. CULVER
5 13 Governor