



Terry E. Branstad  
GOVERNOR

**OFFICE OF THE GOVERNOR**

Kim Reynolds  
LT. GOVERNOR

May 3, 2013

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

Dear Secretary Sebelius:

We write to reiterate our concerns, originally expressed during our February 2013 meeting about the apparent elimination of association health plans, such as one administered by the Iowa Farm Bureau.

As a former Midwestern governor, we know you appreciate the importance of agriculture to the Iowa economy and the overall Midwestern economy. Our Administration continues to hear from interested stakeholders on the considerable concerns about the Federal regulatory framework that will soon impact association health plans, including the Iowa Farm Bureau Plan (IFBP). As currently designed, your Department's rules will effectively eliminate currently functioning plans that have provided insurance to Iowans for decades. We are increasingly concerned that your Department's implementation of the Affordable Care Act (ACA) will cause unnecessary hardships for individuals by taking away a viable coverage option that serves farmers and other individuals well across the State.

The IFBP consists of approximately 32,000 policies and 65,000 covered individuals. The IFBP has functioned well for over 40 years and beginning more than 20 years ago was moved into a separate pool within Wellmark Blue Cross Blue Shield's (Wellmark) individual block of business. Moreover, the average costs of these plans are approximately 10-15% less than other comparable, individual Wellmark plans.

Moving away from this plan could significantly increase costs for individuals in the plan. The National Association of Insurance Commissioners (NAIC) continues to warn CMS of the impending "rate shock". Beyond that, we are now concerned about a new doughnut hole that will be created if well-functioning plans, like the one administered by the Iowa Farm Bureau, are terminated and replaced with an ACA-compliant plan that will cost substantially more.

The IFBP maintains unique features that enable it to provide affordable and comprehensive health insurance coverage to its members. The plan pays lower commissions to Farm Bureau agents than the standard commissions Wellmark pays other distributors, which helps lower plan costs. The IFBP also contains a Premium Stabilization Reserve (PSR) that protects its members from excess underwriting gains by the carrier. This contractual component establishes a target operating margin for Wellmark in this plan; any gain above

the target margin is put into a pool to offset future rate increases. The IFBP provides members with protections that are equal to the minimum loss ratio (MLR) under the ACA.

IFBP administrators spend significant effort educating members on health related risks and prevention issues and how to effectively use health insurance to maximize benefit from their health care dollars. These proactive efforts help drive health ownership and align with the intent of our Healthiest State in the Nation goal. These efforts help to ensure that members seek the right care at the right time and help control costs.

Nearly 186,500 Iowans purchase insurance in the individual market – a market that will be severely impacted by upcoming ACA reforms. Analysis in “Iowa’s Current Health Coverage Marketplace: Background Research & Simulation Modeling (June, 2012)” by David P. Lind Benchmark and Data Point Research, Inc., estimated that 126,958 Iowans are without access to employer sponsored insurance and earn greater than 400% of FPL. This group is not eligible for federal tax credits in an exchange and will be the most burdened by rate spikes in an ACA compliant world.

Based on the initial guidance from your Department, the IFBP will effectively disappear because of ACA-imposed changes and IFBP members will be lumped into one single risk pool. Additionally, any ability to offer a differentiated product with the current value proposition that members receive will be eliminated. Representatives from the Iowa Farm Bureau and Wellmark met with CMS representatives to discuss the implications of ACA mandates on the IFBP and the impacts of the likely insurance market disruption on Iowa. Quite simply, the initial guidance from your Department means that the impacted Iowans will have to pay more for their health insurance. That guidance belies common sense and is contrary to your goal to increase coverage and contain costs. We are disappointed that the CMS representatives did not engage with the Iowa Farm Bureau and Wellmark to find a solution, especially since governors continue to be told by the President and other HHS officials that the Administration is there to work with stakeholders to address ACA enactment challenges. Finding a solution would also help ensure affordable access to health insurance, including the opportunity for residents to keep their current health insurance plans if they so choose.

If IFBP effectively disappears, thousands of Iowans will be forced to find other insurance. Many will not qualify for tax credits and will be forced to find insurance on their own or through an exchange. For many, the insurance options available will be significantly more expensive than the current IFBP. This could have a very disruptive effect on the Iowa market and disproportionately affect rural Iowans. The State of Iowa will make every effort to protect and preserve our health insurance market and prevent a “new doughnut hole” by shifting the uninsured problem to Iowans that purchase insurance today.

In President Obama’s press conference on April 30, 2013, he stated: “For the 85 to 90% of Americans who already have health insurance, they’re already experiencing the benefits of the Affordable Care Act.” The President continued: “If you already got health insurance, then that part of Obamacare that affects you, it’s pretty much already in place.” Unfortunately, that is not the case for individuals in the IFBP. The Iowa Farm

Bureau Plan provides affordable, high quality health coverage to thousands of Iowans today. Given the unique Iowa market, potentially large disruption and unavoidable implementation issues, we ask for your help to assist these Iowans in maintaining the coverage they have currently. It is critical to provide Iowans with predictability while maintaining as many offerings as possible given the uncertainty and impending rate increases. A waiver grandfathering the IFBP for at least three years would provide more certainty and help ensure a more smooth transition for thousands of Iowans.

Thank you for your thoughtful consideration. We look forward to our continued partnership providing common sense solutions for the health care challenges facing Iowa and the nation.

Sincerely,



Terry E. Branstad  
Governor of Iowa



Kim Reynolds  
Lt. Governor of Iowa



Nick Gerhart  
Commissioner, Iowa Insurance Division

cc: Iowa Congressional Delegation  
Tom Vilsack, Secretary, United States Department of Agriculture  
Bill Northey, Iowa Secretary of Agriculture and Land Stewardship  
Chuck Palmer, Director, Iowa Department of Human Services