



KIM REYNOLDS
GOVERNOR

DOUG OMMEN
COMMISSIONER OF INSURANCE

ADAM GREGG
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October 13, 2017

The Honorable Seema Verma
Administrator
Centers for Medicare & Medicaid Services
200 Independence Ave, SW
Washington, DC 20201

RE: IOWA STOPGAP MEASURE

Dear Administrator Verma:

The state of Iowa continues to work in earnest to obtain approval of the Iowa Stopgap Measure. However, a very significant concern has been the extraordinary difficulty in predicting the 2018 ACA individual market with its unprecedented premium rate increases. Yet, it is these predictions that serve as a baseline for both the budget neutrality and pass-through funding analysis.

While we know with a high degree of certainty that the rates will be unaffordable for the vast majority of Iowans with household incomes over 400% FPL, additional economic analysis now indicates that we previously underestimated the households among our insured population individual market with incomes of less than 400% FPL.

The Iowa waiver was premised on per member per month analysis for budget neutrality and pass-through funding because of our expectation that enrollment under the Iowa Stopgap Measure will attract healthy and currently uninsured individuals back into the market. However, we have carefully considered trends in Iowa's economy and believe due to falling incomes, an additional 1,000 individuals in our individual health insurance market are estimated to have fallen or will be falling below 400% FPL in 2018 and will now migrate into the subsidized segment of the market and be eligible for APTC. While Iowa has identified approximately 1,800 additional individuals who will also likely fall below that income level, we anticipate that that many of those individuals are currently covered by small group coverage, grandfathered plans, or transitional plans and will not move into the individual market at this time.

Our analysis had assumed that the 72,000 individuals in the 2017 market would be a static population of persons considering participation for 2018. Prior actuarial analysis by our actuaries had concluded that Medica's 2018 rates would cause 18,000 to 22,000 individuals to drop coverage leaving an estimated 50,000 to 54,000 individuals in that market. Of the 47,000 in the 2017 market, our actuaries estimate at least 40,000 individuals receive APTC. However, based upon recently considered downward pressure in our economy, there is strong support to conclude that 41,000 persons with incomes below 400% FPL will be in the 2018 ACA compliant market. With this change, Iowa is now in a position to adjust our estimate of the 2018 individual ACA market to an estimated 51,000 to 55,000 without the waiver. Likewise, we would now estimate 69,000 individuals in the market with the waiver.

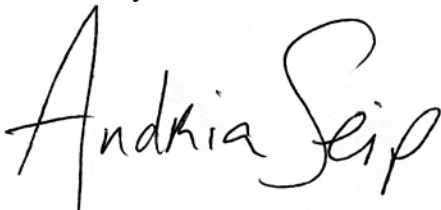
Further, we now find support for pass-through funding of approximately \$432 million, an increase of \$10 million.

In prior correspondence, you sought information seeking clarification on the costs of premium credits for the Stopgap Measure. The differences in the cost projection numbers are due to the numbers being based on a range of estimated enrollment that would be covered at each income level with premium credits. The NovaRest report that you requested was assembled using an earlier estimate within the range. The final estimate for the expected population was reported on page 40 of the waiver in the section describing the "Deficit Neutrality Requirement," wherein it stated, "As noted above, enrollment in the Iowa Stopgap Measure will vary but if an estimate of 68,000 Iowans enroll, approximately \$305 million will be used for premium credits." Given that our estimates now reflect an additional 1,000 participants, the premium credits under the Stopgap Measure will cost an additional \$6.6 to \$7 million.

We must again note the extraordinary challenge of projecting enrollment in the midst of an insurance market collapse, which is occurring because of very sharp annual rate increases that began several years ago. We are seeking to project 2018 after 3 years of adverse selection, and historical rate requests, which are likely to drive another estimated 20,000 mostly healthy individuals – who pay the full premium – from the individual market.

Please let me know if you have additional questions.

Sincerely,

A handwritten signature in black ink that reads "Andria Seip". The signature is written in a cursive, flowing style.

Andria Seip, J.D., M.S.
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