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March 15, 2006

The Honorable Charles E. Grassley
United States Senator
135 Hart Senate Office Building
Washington, DC 20510

The Honorable Tom Harkin
United States Senator
731 Hart Senate Office Building
Washington, DC 20510

Re: Enzi/Nelson Bill, S. 1955

Dear Senators Grassley and Harkin:

I am writing you to express my concerns about the above piece of legislation currently being considered in the United States Senate. S. 1955 is being introduced as legislation to assist small businesses in greater access to affordable health care coverage. In a recent teleconference with Senators Enzi and Nelson, Insurance Commissioners from around the country discussed the proposed legislation. And while some issues have been addressed in regard to the bill, several other issues of deep concern remain.

The primary concern is that the bill supersedes state small group rating rules. This is an untenable preemption that will do unintended harm. Deciding how risk will be spread in the market is very complicated and cannot be done on a "one size fits all" basis. States are in the best position to determine what rating policies are best for their consumers-both health and sick-and we believe in its current form S.1955 will have a negative effect in many states. Over many years of deliberations states have crafted delicately balanced rating systems that are tailor made to address the needs of their healthcare market. We strongly urge the reconsideration of this provision and preserve the states' rating system.

Iowa is considered one of the healthiest states in the U.S. Our uninsured population is one of the lowest in the nation. By allowing employers from other states which may have less healthy populations to benefit from Iowa's healthier population could drive rates even higher for Iowans. Iowa consumers would be sharing in the risk of groups with which they have no local interests. Iowa would have no jurisdiction to encourage these out-of-state small employers to maintain healthier lifestyles or seek better consumer-based healthcare. I remain unconvinced that rates for Iowans would measurably decrease and, in fact, could increase due to the greater costs from non-Iowa insureds. Simply increasing the pool does not necessarily mean that rates will decrease. Rates increase because health care costs increase.

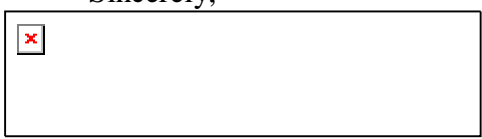
At this point, there has been no detailed actuarial/cost analysis by the Congressional Budget Office or the American Academy of Actuaries on what the effects of this legislation will be on both the currently

insured as well as the currently uninsured. Will there be any significant cost savings? In the current form, the bill does not address the underlying costs of health care delivery. According to current information only 15 cents of every dollar spent on health care is attributed to administration expenses, bricks and mortar and profit. This leaves 85 cents of every dollar that is directly spent on the health care! And with medical inflation continuing to spiral upwards, this proposed legislation does not address those increasing costs.

I applaud the efforts of Congress to address the need for greater access to health care and affordability. But, unless we address the underlying costs, minimum savings in administrative costs may not produce the results you seek.

Please know that our office is available to assist you in questions you may have about health insurance or this proposed legislation or any issues regarding insurance. We want to be partners with you in addressing such important issues for all Iowans.

Sincerely,



Susan E. Voss
Commissioner of Insurance