



Terry E. Branstad
GOVERNOR

OFFICE OF THE GOVERNOR

Kim Reynolds
LT. GOVERNOR

December 14, 2012

The Honorable Kathleen Sebelius
US Department of Health & Human Services (HHS)
200 Independence Avenue Southwest
Washington, DC 20201

Dear Secretary Sebelius,

Iowans deserve health care reform that improves care, lowers cost and most of all makes people healthier. These principles guide my actions on health care. Unfortunately, the Patient Protection and Affordable Care Act (PPACA) has not advanced these important principles, which align with the goal I announced last year for Iowa to become the healthiest state in the nation. Our initiative is being led by the private sector, has been endorsed by the public sector and is working to improve the health of our population person by person, community by community.

I have come to realize that a health benefits exchange will not improve the quality of health care, lower the cost of health care or make Iowans healthier. There also remain many questions about intended flexibilities for states and the final regulatory and policy framework in which a state financed exchange would operate. I am not convinced that my State would have the freedom and flexibility needed to design an exchange to meet the health care needs of our people. Additionally, the cost of building and maintaining a state-financed and based exchange, estimated at \$15.9 million annually, would not advance the health of Iowans and would not be a prudent option for my State. Therefore, Iowa will not finance, build and maintain a costly state-based health benefits exchange.

That said, I continue to have concerns that an intrusive Federal exchange would raise costs on individuals and businesses, making it harder for them to create jobs and raise family incomes in Iowa. The State of Iowa intends to minimize the Federal government's intrusion into the regulation of insurance. We will continue to regulate insurance plans in Iowa and retain control over our Medicaid and Children's Health Insurance Plan eligibility. Iowa control of these programs is critical to health care for Iowans, stability for job creators and the fiscal bottom line for our State. If our State loses control of the costs of these programs, other funding priorities like education, public safety and workforce development may be threatened. Maintaining responsibility and operational control will also enable our efforts to modernize health care and to change our payment methods to reward quality and improve Iowans' health instead of procedure volume.

Since the HHS has extended deadlines and continues to issue draft rules and provide further information and guidance to states, Iowa reserves our right to amend our intentions. We also have the clear expectation that our State's rights will be respected and that our operational and regulatory control will not be superseded by the Federal government. Iowa is well positioned to meet the standards outlined by HHS thus far and maintain control of our insurance regulation and Medicaid eligibility responsibilities as allowed under PPACA. Iowa will partner with the Federal government in these areas of a Federal exchange. I hope that you will continue to work with states building all types of exchanges to provide the maximum amount of information needed to fulfill our responsibilities in improving the health of our citizens and implementing health benefits exchanges.

Sincerely,

A handwritten signature in blue ink, appearing to read "Terry E. Branstad".

Terry E. Branstad
Governor