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September 2, 2011

Via email to MLRAdjustments@hhs.gov

Gary M. Cohen
Acting Director, Office of Oversight
Center for Consumer Information and Insurance Oversight
Centers for Medicare & Medicaid Services
U.S. Department of Health and Human Services
200 Independence Avenue SW
Washington, DC 20201

RE: Florida's Request for Adjustment to Medical Loss Ratio Standard

Dear Acting Director Cohen:

Thank you for your letter of July 20, 2011, requesting further information regarding Florida's request for an adjustment to the Medical Loss Ratio standard. The Florida Office of Insurance Regulation's (FOIR) responses are set forth below:

Question #1. Please provide the 2010 Supplemental Health Care Exhibits ("SHCEs") for each of the 21 issuers included in the FOIR's application. Please provide a separate SHCE for each issuer, without aggregating the numbers for two or more issuers. For example, in the financial data submitted by the FOIR, it appears that data provided by the FOIR for Company R may consolidate data for two separate filing entities.

Response #1. See Attachment "Supplemental Health Care Exhibits FL".

Question #2. Based on our analysis, there appear to be ten issuers in the Florida individual market that are at least partially credible and may be subject to rebates, but do not appear to have been included in the information submitted with the FOIR's June 28 or March 11 letters.

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These issuers are: Physicians United Plan Inc.; United Healthcare Ins. Co. (NAIC company code 79413, distinct from Golden Rule Ins. Co.); Aetna Life Ins. Co. (NAIC company code 60054, distinct from Aetna Health); American Medical Security Life Ins. Co.; Coventry Health & Life Ins. Co. (NAIC company code 81973, distinct from Coventry Health Plan of Florida); New York Life Ins. Co.; Metropolitan Life Ins. Co.; American General Life & Accident Ins. Co; Humana Ins. Co. (NAIC company code 73288, distinct from Humana Health Ins. Co. of Florida Inc.); and Independence American Ins. Co. Please provide the SHCEs and estimated 2011-2013 rebates under both the statutory standard and FOIR's proposed adjusted standard for each of these issuers that has at least 1,000 life-years in the Florida individual market. In the alternative, please confirm that the FOIR does not wish the Secretary to take these issuers' information into consideration in making a determination.

Response #2. Florida's submission of company information is consistent with the information requested pursuant to 45 CFR 158.321(d)(1) and (2): "For each issuer who **offers** coverage in the individual market in the State..." (emphasis supplied) With the exception of Aetna Life Ins. Co. (NAIC company code 60054) and Coventry Health & Life Ins. Co. (NAIC company code 81973), the companies listed above do not actively market (offer) coverage in the individual market; thus, Florida did not submit information for those companies and does not wish the Secretary to take these issuers' information into consideration in making a determination. Aetna Life Ins. Co. (NAIC company code 60054) and Coventry Health & Life Ins. Co. (NAIC company code 81973) are included in the previously-submitted information.

Question #3. "Attachment G" to the FOIR's June 28 letter provides financial information for four issuers that have entered the Florida individual insurance market since 2008. Three additional issuers are listed by the FOIR as having entered the market since 2008, but no financial information for them is provided. Please provide such information for these three issuers: Florida Health Care Plan, Inc.; Health First Health Plans, Inc.; and Humana Medical Plan, Inc. Please also provide SHCEs and estimated 2011-2013 rebates under both the statutory standard and FOIR's proposed adjusted standard for all seven issuers listed in "Attachment G," if not already provided in response to item 1.

Response #3. See attachment "Supp Health Care Exhibits (2)" for SCHEs for Florida Health Care Plan, Inc.; Medica Health Plans of Florida, Inc.; and Humana Medical Plan, Inc. The experience is not credible. No rebates are estimated for 2011, 2012 and 2013 for Florida Health Care Plan, Inc. and Medica Health Plans of Florida, Inc. under either standard. Humana Medical Plan Inc., under the statutory standard, estimates a rebate in 2012 of \$18,000 and none in 2011 or 2013; under the proposed adjusted standard, it estimates no rebates for 2011, 2012 and 2013.

The Office has determined that Health First Health Plans, Inc. never entered the individual market, so no information is provided.

Question #4. "Attachment F" to the FOIR's June 28 letter provides rebate estimates for all 21 issuers in the Florida individual market for MLR reporting years 2011-2013 under the FOIR's proposed MLR adjusted standards. Additionally, the document entitled "Petition Spreadsheet - Revised (6-28-11)" provides 2011 rebate estimates for these issuers under the statutory 80 percent standard, but does not do so for 2012 and 2013, as required by 45 CFR §158.322(c). Please also provide rebate estimates for the 21 issuers included in the FOIR's application for MLR reporting years 2012 and 2013 under the statutory 80 percent standard.

Response #4. See Attachment "Petition Spreadsheet 3 - Revised (8-17-11)." New or revised information is highlighted in yellow. Also, the Office has determined that Company U is no longer writing in the individual market and had its individual business in Florida novated to another company. Company U information has been removed from the spreadsheet.

Question #5. In "Attachment F" to its June 28 letter, the FOIR reports that Company J expects to owe \$3,700,000-\$4,100,000 in rebates for the 2011 reporting year based on the 68% MLR standard proposed by the FOIR. According to the attachment entitled "Petition Spreadsheet - Revised (6-28-11)" to the FOIR's June 28 letter, Company J anticipates a 72.5 percent MLR. At 72.5 percent, Company J's MLR would be above FOIR's proposed 68 percent adjusted MLR standard and thus Company J would not be required to pay any rebates. Similarly, the estimated MLRs of Companies C, P, and T are 70 percent or higher, yet the FOIR indicates that they would owe rebates under a 68 percent MLR. Conversely, the estimated MLRs of Companies N, S, and L are 65 percent or lower, yet the FOIR indicates that they would not owe rebates under a 68 percent MLR. Please revise these issuers' estimated MLRs (and explain the basis for the revisions) or expected rebates, or explain these discrepancies.

Response #5. Please see attachment "Issuer Responses to Question #5."

Question #6. According to "Attachment F" to the FOIR's June 28 letter, Company B expects to pay \$2,050,000 in rebates for the 2012 reporting year and \$16,300,000 for the 2013 reporting year, based on the FOIR's proposed adjusted MLR standards of 68 and 72 percent, respectively. However, according to the attachment entitled "Petition Spreadsheet - Revised (6-28-11)" to the FOIR's June 28 letter, Company B's estimated rebate under an 80 percent MLR standard is zero. Please explain the reasons for why Company B's estimated 2013 rebates dramatically exceed both its estimated 2012 rebates as well as its estimated rebates under an 80 percent MLR standard.

Response #6. Company Response:

"The estimates provided by Company B in "Petition Spreadsheet – Revised (6-28-11)" were provided in December 2010 and were based on limited information.

Since that time, Company B has revised their estimates to reflect actual emerging experience and better visibility into federal MLR adjustments, including health quality improvement expenses. The revised estimates under the proposed adjusted MLR standards were included in "Attachment F". The revised estimates under an 80 percent MLR floor are included in "Petition Spreadsheet 3 – Revised (8-17-11).

Company B's rebates grow over time because Company B is a relatively new entrant to the individual health insurance market in FL. Company B is rapidly growing their customers and earned premiums. Company B is currently projecting to have earned premiums in 2011 that are significantly higher than the earned premiums for 2009. Because of medical underwriting, new business typically runs at a lower MLR than older duration business. This, coupled with the growth volumes, causes Company B's rebates to be higher in 2013 than in 2012 and 2011. Company B could reduce its rebates by reducing its new business growth rate; however this would not be in the best interest of Florida consumers."

Question #7. The FOIR's initial March 4, 2011 application states that four issuers have already provided notice of withdrawal from the Florida individual market. Those companies are: Citrus Health, Guarantee Trust, Guardian Life, and National Health. Please provide a copy of the withdrawal notice for each of these four issuers. Please also provide any additional information available to the FOIR that would clarify the reasons for the withdrawal by Citrus Health.

Response #7. Please see attached "Petition MLR Adjust 3 Withdrawal Notices." The Office was unable to locate a copy of the withdrawal notice for National Health Insurance Company but did have a copy of a withdrawal notice sent to a policyholder.

With respect to Citrus, in an effort to streamline its product offering, Citrus executed an asset purchase agreement with Sunshine State Health Plan (Centene) to sell the Medicaid and Long Term Care Diversion lines of business. Those beneficiaries were transferred on December 1, 2010. To maintain financial viability, Citrus' parent, PHC Subsidiary Holdings, was acquired by United HealthCare Services, Inc. during the 4th quarter of 2010 thus becoming the sole owner of Citrus. The Commercial business has already been non-renewed therefore commencing January 2011, Citrus became a Medicare-only HMO provider.

Question #8. Based on our assessment of select SHCE data, we calculate the 2010 market share (by enrollment) of the 21 issuers listed in the FOIR's application in the following table. Please let us know whether you obtain the same results as those shown below. If you do not, please provide your calculation of market share by enrollment and a description of your methodology. If you would like us to consider any of the issuers listed in items 2 or 3 above, please add the information for those issuers to the table.

Response #8.

| Florida Individual Market | | |
|--|----------------|---------------|
| Issuers' 2010 Enrollees and Market Share by Enrollment | | |
| Issuer | Enrollees | Market Share |
| A. | 25,983 | 3.08% |
| B. | 51,344 | 6.09% |
| C. | 5,566 | 0.66% |
| D. | 2,665 | 0.32% |
| E. | 1,804 | 0.21% |
| F. | 2,457 | 0.29% |
| G. | 45,480 | 5.4% |
| H. | 119,138 | 14.15% |
| I. | 373,040 | 44.29% |
| J. | 19,739 | 2.34% |
| K. | 24,940 | 2.96% |
| L. | 10,922 | 1.30% |
| M. | 5,181 | 0.62% |
| N. | 7,218 | 0.86% |
| O. | 2,333 | 0.28% |
| P. | 1,199 | 0.14% |
| Q. | 3,627 | 0.43% |
| R. | 67,952 | 8.07% |
| S. | 3,459 | 0.41% |
| T. | 6,088 | 0.72% |
| Rest of Market | 42,378 | 7.38% |
| TOTAL | 842,252 | 100.0% |

The information above is self-reported by the companies to the Office on an annual basis in what is called the "Gross Annual Premium (GAP) Report." These numbers are from the 2010 GAP Report. The largest material difference is with respect to Company I. The Office has been informed that Company I made an error in its 2010 SHCE and the above information is accurate. Company I has changed its internal procedures so that going forward, there will not be errors on the SHCE.

Company D and Company J informational differences between SHCE and GAP were large enough that the Office investigated the reasons for the difference to determine if the GAP information needs to be re-filed. For Company J, the Office understands that mini-meds are reported on GAP but not on the 2010 SHCE, accounting for the difference. For Company D, there may be a mistake in the GAP reporting. However, this company represents less than 1% of the individual market and in the Office's judgment should not further delay a decision on our request as we determine whether a GAP re-filing needs to occur.

Company L did not file an SCHE, as for 2010 the NAIC did not require companies with mini-med premium only to file. The information for Company L, and for all companies in Attachment B-1 from the Office's June 28, 2011 letter to CCIIO, was taken from the 2009 GAP Report.

Other variations are not material.

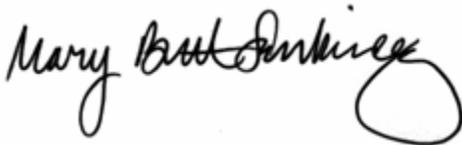
Question #9. Based on our assessment of select SHCE data, we calculate 2010 MLRs (using the Federal definition of MLR) for the 21 issuers listed in the FOIR's application in the following table. Please let us know whether, using the Federal MLR definition and the 2010 SHCE data, you obtain the same estimates as the CCIIO estimates shown below. If you do not, please provide your estimates and a description of your methodology. If you would like us to consider any of the issuers listed in items 2 or 3 above, please add the information for those issuers to the table. Please also provide the relevant information for Companies Land U, which were unavailable for our assessment.

Response #9. Using the Federal MLR definition and the 2010 SHCE data, the Office obtains the same estimates as the CCIIO estimates in its letter of July 20, 2011. Company U has been withdrawn from consideration as noted above. Company L did not file an SHCE, also noted above. Revised estimated rebates for Company L for 2011, 2012 and 2013 are presented in the already-attached "Petition Spreadsheet 3 (Revised 8-17-11)."

Thank you for your consideration of the Office's request to adjust the MLR requirements in the individual market. Florida's consumers and market would be well-served if the MLR standard can transition to 80% in 2014.

And thank you for the extended timeframe in which to respond. Please do not hesitate to contact me if you have additional questions.

Sincerely,

A handwritten signature in black ink that reads "Mary Beth Senkewicz". The signature is written in a cursive style with a large, looping flourish at the end.

Mary Beth Senkewicz

MBS/ayh

Attachments