



May 26, 2011

By Email and Regular Mail

John Carlos
Regulatory Administrator
Guam Department of Revenue and Taxation
Post Office Box 23607
Guam Main Facility
Guam 96921

Re: Guam's Request for Adjustment to Medical Loss Ratio Standard

Dear Mr. Carlos:

On May 26, 2011, the Center for Consumer Information and Insurance Oversight ("CCIIO") emailed you a letter regarding information the Guam Department of Revenue and Taxation ("Department") must submit in order to complete its application for an adjustment to the medical loss ratio ("MLR") standard for Guam's individual health insurance market. Although the Department has not yet finalized its application, CCIIO has, in the interest of expediting the process, performed a preliminary review of the information the Department has already submitted.

Based upon that review, we have some follow-up questions regarding the information the Department has already submitted with its application, dated April 15, 2011. These questions are distinct from the information that our separate May 26 letter indicates the Department must submit before its application is deemed complete. Application completeness, and hence commencement of CCIIO's 30-day application processing period, will not be impacted by the timing of the Department's response to the follow-up questions listed below. Nevertheless, prompt responses to the questions in this letter will greatly assist the Secretary in making a prompt determination as to whether to grant the Department's request for an adjustment to the MLR standard. We would consequently appreciate receiving the Department's responses within seven (7) calendar days from the date of this letter. The responses should be submitted to MLRAdjustments@hhs.gov. Please understand that after receiving the Department's complete application we may have some additional questions.

Please provide the following information:

1. Title 45 CFR §158.343 provides that any State that submits a request for adjustment to the MLR standard may hold a public hearing with respect to its application. Please indicate whether the Department has provided a forum for public input regarding the Department's application for an adjustment to the MLR standard. Please provide copies of any public input, other than the letters from the Guam Association of Health Plans and Insurance Association of Guam submitted with the Department's application, that the Department has received regarding its MLR standard adjustment request.
2. Please provide, for 2010, the ratio of direct losses incurred to direct premium earned in the Guam individual market for each issuer who provided coverage to more than 1,000 enrollees in that market.
3. Page 2 of the Department's application states that "Currently, only one health plan has written individual health plans in Guam but has verbally stated that it will serve notice to terminate and exit from the Guam market for fear of adverse selection by individual applicants." We read this to mean that only one issuer has verbally stated that it may withdraw from the Guam individual market, and that no issuer has given written notice of withdrawal. Please confirm that our reading of this statement is accurate.

If our reading of this statement is accurate, please identify that issuer and indicate the approximate timeframe, if any, the issuer suggested it would be providing notice to terminate and exit from the Guam market. Please also give the Department's assessment of the likelihood that adverse selection by individual applicants will occur, as raised by the issuer, and the likelihood of that issuer leaving the Guam individual health insurance market, given that, according to page 2 of the Department's application, (a) the Health Insurance Portability and Accountability Act would preclude the issuer from reentering that market for five years, and (b) Guam imposes no limitation upon issuers regarding rating based on health status.

4. Page 2 of the Department's application states that "Currently, only one health plan has written individual health plans in Guam but has verbally stated that it will serve notice to terminate and exit from the Guam market for fear of adverse selection by individual applicants." Given that fact, please give the Department's assessment of how likely it would be that one or more other issuers would enter the Guam individual health insurer market in the event the issuer that has served verbal notice carries through with its assertion. Please also explain the rationale underlying the Department's assessment.
5. Page 4 of the Department's application states that "In the event no adjustment is made to the MLR, one or two of the four health plan issuers will exit the Guam health insurance market." Please identify the issuer(s) that will exit. Please also describe the factors, events, or considerations that underlie the Department's conclusion that this will be the case.
6. Please confirm that the "Expense Ratio" figures appearing on page 4 of the Department's application are calculated by dividing the underwriting expenses for a particular company for a given year by that company's earned premium for that year.

7. On page 4 of the Department's application, the Department requests that issuers in the Guam individual market be allowed to meet a 65 percent MLR for years 2011, 2012, and 2013. Please describe what consideration the Department gave to requesting an adjustment that would incrementally phase in the statutorily-required 80 percent MLR standard, rather than providing a single year transition to it.
8. On page 4 of the Department's application, the Department notes that the request to adjust the individual health insurance market MLR standard for Guam to 65 percent for 2011-2013 was based on the loss ratio experience shown in the table on page 3 of its application. Please explain the factors or considerations surrounding the loss ratio experience shown in the table on page 3 that led the Department to conclude that it should request that the MLR standard for Guam's individual health insurance market be lowered to 65 percent.
9. On page 4 of the Department's application, the Department states that, in the event that one or two issuers exit the Guam health insurance market, "there is no certainty that the remaining two issuers will be able to enroll more applicants without an increase in the capital and surplus of each of the remaining companies." Please give the Department's assessment of how likely it would be that the remaining issuers would not add the exiting issuers' enrollees to their books of business and explain the rationale underlying the Department's assessment.
10. With respect to the statement on page 4 of the Department's application that "there is no assurance that the remaining health plan issuers will not increase the premiums charged in the absence of competitive conditions," please give the Department's assessment of how likely it is that premiums will increase in the event that one or two issuers exit the Guam health insurance market, and explain the rationale underlying the Department's assessment. With respect to that assessment, please describe what consideration the Department gave to whether raising premiums would lower the remaining issuers' MLRs and could result in their having to pay rebates.
11. Please confirm, or comment upon the accuracy of the statement, made on page 2 of the November 4, 2010 letter from Guam Association of Health Plans, submitted with the Department's application, that "Because of Guam insurance laws, health insurers are required to conduct business through an agent." If it is accurate, please provide the citation to the statute, regulation, or guidance which sets forth that requirement.
12. Page 2 of the Department's application suggests that only one issuer currently is operating in Guam's individual market. However, other information submitted by the Department (page 1 of the September 10, 2010 letter from the Insurance Association of Guam letter and page 6 of the August 27, 2010 letter from Guam Health Insurance Association) suggests that currently there is more than one issuer in Guam's individual

market. Please confirm how many issuers currently offer coverage in the Guam individual health insurance market.

We look forward to receiving the requested information so that the Secretary can make a fully informed assessment and determination. As noted above, this information is separate and apart from whether the Departments application for an adjustment to the MLR in the Guam individual market is complete.

We appreciate the Department's cooperation in working together to implement the Affordable Care Act in the best interests of all stakeholders. Please feel free to contact the Office of Oversight by email at MLRQuestions@hhs.gov or by phone at (301) 492-4457 if you have any questions or concerns.

Sincerely,

/Signed, GC, May 26, 2011/

Gary Cohen
Acting Director, Office of Oversight