



**PUBLIC PROTECTION CABINET**

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**Robert D. Vance**  
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July 1, 2011

Gary M. Cohen, Acting Director  
Office of Oversight - CCIIO  
Attn: MLR Division  
Department of Health and Human Services  
Centers for Medicare and Medicaid Services  
7500 Security Boulevard  
Baltimore, Maryland 21244-1850

VIA Electronic Mail to [MLRAdjustments@hhs.gov](mailto:MLRAdjustments@hhs.gov)

**Re: Supplement to Kentucky's Request for a Medical Loss Ratio (MLR) Adjustment**

Dear Mr. Cohen:

Please accept this letter as a supplement to Kentucky's application to the Department of Health and Human Services requesting an adjustment to the Medical Loss Ratio ("MLR") requirements of the Patient Protection and Affordable Care Act of 2010 ("PPACA").

On May 19, 2011, the Kentucky Department of Insurance ("Department") received written notice from Aetna Life Insurance Company and Aetna Health, Inc. (collectively "Aetna") advising the Department of Aetna's intent to withdraw from the individual and small group markets in Kentucky. According to Aetna's notice, the companies' intentions were not to be made public until July 1, 2011, the date Aetna plans to notify brokers and agents to stop marketing or selling any new plans in the small group and individual markets.

Also, Aetna intends to terminate all existing coverage in these markets by December 31, 2011. The logistics of Aetna's planned withdrawal from these markets is under consideration by the Department; however, it is clear that Aetna will be withdrawing from participation in the individual and small group markets in Kentucky. Aetna will continue to offer coverage in the large group market.

In Kentucky's MLR application, the Department stated,

To date, since the passage of the Affordable Care Act, Kentucky has received notice of two insurers exiting our individual market. This leaves Kentucky with eight carriers offering individual insurance, Anthem controls 85% of the market. Kentucky's market is just beginning to recover from failed health reform efforts from the early 90s and cannot afford to lose another carrier. In the interests of increasing competition, thereby lowering costs and increasing customer satisfaction, Kentucky must encourage a vital and diverse insurance market.

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With the notice of Aetna's intention to withdraw from the individual and small group markets in Kentucky, this would bring the total to three insurers exiting the individual market leaving Kentucky with only seven carriers offering individual health benefit plans. As indicated in Kentucky's MLR adjustment application, Kentucky's individual marketplace remains fragile and in recovery after a previous health reform efforts in the 1990s. Given Aetna's intentions, the Commonwealth of Kentucky remains concerned that insurers exiting the market may cause an unsustainable influx of individuals into Kentucky Access, Kentucky's high risk pool. With the current budgetary environment, the effect of a large increase in membership into Kentucky Access that may occur with an additional carrier exiting the market could be extremely detrimental to the pool.

The Department requests that you consider this supplemental information when reviewing Kentucky's request for a MLR adjustment. Should you need additional information, please advise.

Sincerely,



Sharon P. Clark  
Commissioner