



August 29, 2011

By Email and Regular Mail

Kevin M. Dyke
Office of Financial and Insurance Regulation
State of Michigan
611 West Ottawa, 3rd Floor
Lansing, MI 48933

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

Dear Mr. Dyke:

We have reviewed the application of the Michigan Office of Financial and Insurance Regulation ("MOFIR") for an adjustment to the individual market medical loss ratio standard for the State of Michigan. We request further information regarding the items listed below. This information is needed in order for the MOFIR's application to be complete. **Please note that 45 CFR §158.345(a) provides that the time frame for the Secretary to determine whether to grant the MOFIR's request begins only when the complete application is received.** The responses should be submitted to MLRAdjustments@hhs.gov.

The items for which we request further information are:

1. At this time, the Center for Consumer Information and Insurance Oversight ("CCIIO") will provisionally accept information regarding each issuer's number of enrollees, and amount of premiums earned, in the Michigan individual market at the company level, rather than by product. CCIIO reserves the right to request information regarding each issuer's premium and number of enrollees by product, as required by 45 CFR §158.321(d)(1), if CCIIO determines that such information is material.

However, we ask that the MOFIR comment upon whether any of the 14 issuers listed on Exhibit 2 of the MOFIR application as having an estimated MLR of less than 80 percent offer unique products for which there are no comparable products offered by other issuers. Further, please comment upon whether the products offered in Michigan's individual market are generally comparable in product design and cost.

2. Please provide the 2010 Supplemental Health Care Exhibit ("SHCE") for each issuer listed on Exhibit 2 of the MOFIR application. Please also provide the 2010 SHCE of

any other issuer that the MOFIR wishes the CCIIO to consider in making CCIIO's determination with regard to MOFIR's application.

3. With respect to Table 2 on Page 3 of the MOFIR application ("Indicated Individual Medical Loss Ratios based on 2010 Results"), please advise whether the "MLR After Credibility Adjustment" entry for BCS Life Insurance Company, 88.0%, is a typographical error and should be 86% or a different number.
4. Page 4 of the MOFIR application states that "As a significant component of these non-claim expenses are production related (e.g. agency commissions), many companies will find it difficult to reduce these costs in the short term due to the common practice of multi-year commission agreements." Page 9 of the MOFIR application states that many of the commercial health insurers in Michigan "enter into multi year agency agreements making it difficult to quickly adjust a significant component of their cost structure." For the 14 issuers listed on Exhibit 2 of the MOFIR application as having an estimated MLR of less than 80 percent, please identify the ones that have multi-year agency agreements, as well as when these agreements expire.
5. With respect to Table 4 (page 6 of the MOFIR application) ("Impact of Proposed Phase-In MLR for Michigan (\$Millions)"), please indicate whether we understand correctly that Note (1) implies that the rebate estimates for 2012 and 2013 were derived by multiplying the 2010 experience elements (including enrollment, claims, premiums, allowable fraud reduction expenses, quality improvement activities, and taxes) by two and three, respectively, to indicate multiple years of experience that will be taken into account in future years' MLR calculations. Please comment upon whether these assumptions were provided by issuers or chosen by the MOFIR.
6. With respect to the information regarding State MLR standard (page 7 of the MOFIR application), please provide information regarding whether guaranteed renewable policies are the most common form of policy in the Michigan individual health insurance market. Please also indicate whether there is a State MLR standard for non-profit health care corporations and HMOs in Michigan and, if so, what it is.
7. For the 14 issuers listed on Exhibit 2 of the MOFIR application as having an estimated MLR of less than 80 percent, please identify those that have indicated, or suggested, to the MOFIR that they plan to price to an 80 percent MLR beginning in 2011 or 2012.
8. 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 MOFIR has provided a forum for public input regarding the MOFIR's application for an adjustment to the MLR standard. Please provide copies of any public input that the MOFIR has received regarding its MLR standard adjustment request.

9. It appears that MOFIR calculated the credibility adjustments and rebate estimates provided in Exhibit 2 of the MOFIR's application using the number of covered lives rather than life-years. Based on our assessment of select SHCE data, we calculate 2010 MLRs (using the Federal definition of MLR) and rebates for the 20 issuers listed in Exhibit 2 in the following table. Please ascertain, using the Federal MLR definition and the 2010 SHCE data, whether 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.

With regard to Madison Nat'l, American Republic, and Consumers Life, please also indicate whether these any of three issuers are actively writing (and could thus be expected to become partially credible in 2011).

Issuer	Life Years	MLR Before Credibility Adjustment	Credibility Adjustment	MLR After Credibility Adjustment	Estimated Rebate based on 2010 MLR
BCBS of MI	192,599	93.0%	0.0%	93.0%	\$0
Golden Rule	33,372	59.5%	1.5%	61.0%	\$9,972,338
Time	23,305	64.7%	1.7%	66.4%	\$5,319,413
BCS	19,081	84.1%	2.0%	86.1%	\$0
Aetna Life	12,821	70.1%	2.4%	72.6%	\$1,696,764
Humana	11,160	70.4%	2.5%	72.9%	\$1,255,503
World	6,451	52.1%	3.4%	55.5%	\$2,880,242
Alliance	2,577	66.9%	5.2%	72.0%	\$331,785
Celtic	3,058	75.4%	4.9%	80.2%	\$0
Blue Care Network of MI	3,223	99.7%	4.8%	104.4%	\$0
Health Alliance Plan of MI	2,619	92.9%	5.1%	98.1%	\$0
Priority Health	1,345	65.1%	7.6%	72.7%	\$234,824
John Alden	3,115	62.7%	4.8%	67.5%	\$671,845
MEGA	3,412	39.8%	4.7%	44.5%	\$2,585,558
American Community	SHCE data not available	56.4%	SHCE data not available	SHCE data not available	SHCE data not available
American Medical Security	2,874	74.9%	5.0%	79.9%	\$6,206
Madison Nat'l	952	53.1%	0.0%	53.1%	\$0
American Republic	913	55.5%	0.0%	55.5%	\$0
Consumers Life	889	52.7%	0.0%	52.7%	\$0
Blue Care of MI	1,113	96.4%	8.1%	104.5%	\$0

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

Sincerely,

/Signed, GC, August 29, 2011/

Gary M. Cohen
Acting Director, Office of Oversight
Center for Consumer Information
and Insurance Oversight