



September 26, 2011

By Email and Regular Mail

Mina Muñoz
Actuarial Analyst
Oklahoma Insurance Department
Five Corporate Plaza
3625 NW 56th Street, Ste. 100
Oklahoma City, OK 73112-4511

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

Dear Ms. Muñoz:

Thank you for the Oklahoma Insurance Department ("OID")'s application for an adjustment to the medical loss ratio ("MLR") standard for its individual health insurance market. In order for the OID's application to be complete, please provide the information listed below.

Please note that 45 CFR §158.345(a) provides that the time frame for the Secretary to determine whether to grant the OID's request begins only when the complete application is received.

1. Please provide the most recent 2010 Supplemental Health Care Exhibits ("SHCEs") for each issuer that has at least 1,000 life-years in the Oklahoma individual market. Please include the 2010 SHCEs for MEGA Life & Health Ins. Co. and Humana Ins. Co., which were not included in the OID's application, but which appear to be likely to have at least 1,000 life-years in the Oklahoma individual market in 2011. In the alternative, please confirm that the OID does not wish the Secretary to take these issuers' information into consideration in making a determination. Please also provide the 2010 SHCE for any other issuer that the OID wishes CCIIO to consider in making a determination with regard to the OID's application.
2. The OID's cover letter that accompanies its application refers to issuer responses to a Department questionnaire. Please provide a copy of the entire questionnaire and advise whether the responses were based on data for the full 2010 calendar year. Further, please advise whether the OID believes that the answers more accurately reflect estimates of the issuers' MLRs and rebates than do the 2010 SHCEs. If that is the case, please ask each issuer to provide detailed information about the assumptions used to produce the estimates in the Excel attachment to the OID's application, including, but not limited to: what significant assumptions, if any, were made regarding future business trends; what assumptions, if any, were used to estimate the amount of quality improvement activities

and taxes; and whether the credibility adjustments included deductible factors and, if so, what such factors were.

3. For the issuers listed in Table 1 of the exhibit entitled “MLR Final Data” of the Excel attachment to the OID’s application, please identify those issuers that have indicated or suggested to the OID that they plan to price their products to meet an 80 percent MLR beginning in 2011 or 2012.
4. As required by 45 CFR §158.321(a), please advise whether issuers in Oklahoma’s individual market are subject to any State-imposed MLR requirement. If so, please describe the standard and the formula used to assess compliance with such standard.
5. As required by 45 CFR §158.321(b), please describe the withdrawal requirements for issuers in Oklahoma’s individual market. The description should include any notice that must be provided and any authority the State regulator may have to approve a withdrawal plan or ensure that enrollees of the exiting issuer have continuing coverage, as well as any penalties or sanctions that may be levied upon exit or limitations on re-entry.
6. As required by 45 CFR §158.321(c), please describe what, if any, mechanisms are available to Oklahoma to provide consumers with options in the event an issuer withdraws from the individual market. Such mechanisms include, but are not limited to, a guaranteed issue requirement, limits on health status rating, an issuer of last resort, or a State-operated high risk pool. A description of each mechanism should include: detail on the issuers participating in the mechanism; the products available under such mechanism; and any limitations with respect to eligibility, enrollment period, total enrollment, and coverage for pre-existing conditions.
7. Title 45 CFR §158.322(c) requires an estimate of the rebates that would be paid by each issuer for the 2011, 2012, and 2013 MLR reporting years if issuers in the individual market must meet an 80 percent MLR standard in each of those years. Title 45 CFR §158.322(d) requires an estimate of the rebates that would be paid by each issuer for the 2011, 2012, and 2013 MLR reporting years if issuers in the individual market must meet the MLR standard that the OID proposes for each of those years. Please advise which MLR standard was used to calculate the rebates estimated in Table 3 of the exhibit entitled “MLR Final Data” of the Excel attachment to the OID’s application and provide estimates for the standard not addressed by Table 3. Please also update Table 3 to provide estimates for each issuer for 2012, and 2013; Table 3 appears to be missing the estimates for two issuers for 2012 and five issuers for 2013. If the OID would like the Secretary to consider MEGA and/or Humana, please include 2011, 2012, and 2013 rebate estimates under both MLR standards for these issuers.
8. According to Tables 1 and 2 of the exhibit entitled “MLR Final Data” of the Excel attachment to the OID’s application, Health Care Service Corp. had a 77.5 percent MLR, \$152,443,000 earned premium, and positive underwriting gain (suggesting positive taxes). Based on these figures, Health Care Service Corp. would be expected to owe rebates of less than \$3.8 million. However, according to Table 3, Health Care Service Corp. is expected to owe rebates of \$5.3 million. Similarly, according to Table 2, Aetna and World had MLRs of well in excess of the 80 percent MLR standard, and thus would

not be expected to owe rebates. However, according to Table 3, both Aetna and World are expected to owe rebates. Please provide explanations for these discrepancies.

9. Title 45 CFR §158.321(d)(vi) requires, for each issuer, the net underwriting profit for the individual market and the consolidated markets in the State. The exhibit entitled “MLR Final Data” of the Excel attachment to the OID’s application contains only one set of net underwriting profit figures. Please advise if they refer to the individual market, and if not, please provide the issuers’ net underwriting profits for the individual market.

Please submit the information listed above to MLRAdjustments@hhs.gov.

Thank you in advance for your prompt reply. We look forward to working together to implement the Affordable Care Act. If you have any questions during this process, please contact the Office of Oversight by email at MLRQuestions@hhs.gov or by phone at (301) 492-4457.

Sincerely,

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