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.

   Please see file 'SCHEs- Oklahoma MLR Request Info' that is attached in email.

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.

   Please see attached 'Oklahoma Blank Questionnaire' that is attached in the email. The data requested was based on the full 2010 calendar year.

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.

   Health Care Service Co., Time Ins. Co., American Medical Security Life Ins. Co., Mega Life and Health Ins. Co., Coventry Health and LIC, World Ins. Co., and Humana Ins. Co. all suggested that will begin pricing their products to meet the 80 MLR requirement by 2012.

   Time Ins. Co stated in their survey, "We have already discontinued sales of those plans that did not meet reform requirements. As the individual and small group health insurance markets evolve under the changing regulatory environment, we continually evaluate and adjust business plans, consistent with the best interests of our company and our customers. The options to be reviewed will include discontinuing sales of certain products and/or exiting selected markets."

   Mega Life and Health Ins. Co. stated in their survey response, "The Company has discontinued sales of new health benefit plans, but continues to renew its existing block of individual health benefit plans."

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.

   Oklahoma does not have a specific MLR standard formula applicable for individual health insurance market calculations.

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.

   If an insurer elects to withdraw from the state or discontinue offering a specific market segment of health benefit plans, such as exiting the individual market completely, the insurer shall give 180 days notice in writing to the Rate and Form Filing Compliance Division of the Insurance Department and shall state in writing its reasons for such action. See OK Reg 365:10-1-14.

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.

   Oklahoma's High Risk Pool (OHRP) is Oklahoma's alternative mechanism. The OHRP was created to serve those who are considered medically uninsurable or high risk. In layman's terms, that means people who have been denied health insurance due to a serious health condition. In certain cases, it also applies to those who have been quoted very high premiums, again due to a serious health condition.

   The concern arises that the OHRP was created for people with major medical conditions. Therefore, the OHRP may have a limited benefit for individual policyholders.

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.

The MLR standard used to estimate rebates in Table 3 of the exhibit, 'MLR Final Data' was determined in accordance with HHS Interim Regulation §158.221. The absence of estimated rebates in years 2012 and 2013 is the result of product pricing to meet the 80% MLR.

Table 3: Estimated Rebates for 2011-2013

Issuer	2011	2012	2013
Health Care Service Corp (includes BCBS)	$ 3,800,000	$ -	$ -
Time IC fka Fortis IC	$ 1,800,000 - 2,000,000	$ -	$ -
Golden Rule Ins. Co.	$ 4,498,797	$ 2,486,078	$ -
American Medical Security Life Ins Co	$ 1,230,000	$ 561,000	$ -
Mega Life and Health Ins Co	$ 98,741	$ 31,468	$ -
Coventry Health and LIC	$ 414,056	$ 370,028	$ -
Aetna Life Insurance Co.	$ 33,098	$ 373,404	$ 368,174
World Ins. Co.	$ 211,593	$ 42,125	$ 5,443
Humana Ins Co.	$ 66,000	$ 40,000	$ -

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.

HCSC had reported two different estimates for their 2011 rebate projection. Their justification for variations in reported rebates was explained in a letter attached to our survey. They stated, "One of the particularly complex aspects of the ACA MLR regulation is the interaction between federal income taxes and customer rebates. Federal income taxes are subtracted from premiums in calculating the denominator of the ACA MLR, with any rebates to customers being expressed as a percentage of that denominator. Hence, the rebate amount for a particular state/market combination depends on the federal income taxes allocated to that state/market. However, federal income taxes are a function of taxable income, and any rebates owed to customers would reduce taxable income; so, the amount of federal income taxes allocated to a particular state/market arguably should depend on the rebate amount for that state/market. In short, the link between federal income taxes, the ACA MLR, and the rebate amount is not straightforward.

We point this out to highlight the significant possibility that, with respect to pro forma projections of the ACA MLR and associated rebates, different issuers may be computing the MLR and pro forma rebates in different ways, due in large part to this ambiguity about the interaction between taxes and rebates.

However, we recognize that the calculation above (Pro Forma Rebates, assuming 80% threshold, is $3.8 million) does not reflect that fact that, if we had actually needed to pay rebates for 2010 experience based on an 80% threshold, then the pre-tax gain reported for HCSC's Oklahoma Individual block of business would have been significantly lower, due to the need to accrue a rebate liability in 2010. That would in turn imply that the amount of federal income taxes appropriately allocable to the Oklahoma Individual block might be significantly different than the amount shown above, which was based on"

Aetna Life Ins. Co. and World Ins. Co. reported MLRs for 2010 of 87.8% and 89.9% respectively. However, in both of their survey responses, they reported that their estimated MLRs, based on HHS Interim Regulation §158.221, would decrease. Aetna reported 74.7%, 71.1%, and 72.4% for years 2011, 2012, and 2013. World believes that their MLRs will be 74.5%, 78.4%, and 79.7 % for years 2011, 2012, and 2013. Due to these expected lower MLRs, World and Aetna believes that they will have to issue rebates, as stated in Table 3 of the original file "MLR Final Data".

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.

Net Underwriting Profit			
NAIC Code	Company	Individual	Consolidated
70670	Health Care Service Corp (includes BCBS)	4,485,544	-13,173,706
69477	Time IC	-10,832	-268,195
62286	Golden Rule IC	5,315,352	5,452,767
97179	American Medical security Life IC	2,627,189	2,643,384
97055	Mega Life and Health IC	2,599,658	2,586,875
81973	Coventry Health and LIC	-298,979	-504,527
60054	Aetna LIC	291,129	8,232,130
73288	Humana IC	-22,534	6,588,662
70629	World IC	-399,306	-313,497