



January 9, 2012

By Email and Regular Mail

Theodore K. Nickel
Commissioner
Office of the Commissioner of Insurance
125 South Webster Street
Madison, Wisconsin 53707-7873

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

Dear Commissioner Nickel:

We have reviewed the application of the Wisconsin Office of the Commissioner of Insurance ("OCI") for an adjustment to the individual market medical loss ratio standard for the State of Wisconsin. As of the date of this letter, we deem Wisconsin's application complete. We will make a decision regarding Wisconsin's application within 30 days. The Secretary may, in her discretion, extend the 30 day review period for as long a time as necessary not to exceed an additional 30 days. Should the application review period be extended, we will alert you as soon as practicable.

While we are deeming the application complete, we have reviewed the information the OCI provided in its application, and request further information regarding the items listed below. This information will facilitate the Secretary's determination of the application. We would appreciate receiving the OCI's responses within seven (7) calendar days from the date of this letter. The responses should be submitted to MLRAdjustments@hhs.gov.

The items for which we request further information are:

1. Please provide the 2010 Supplemental Health Care Exhibit ("SHCE") for each of the 18 issuers included in the OCI's response to 45 CFR 158.321(d)(2), which is contained in Appendix II to the OCI's application.
2. For the six issuers listed in the OCI's application as having an estimated MLR of less than 80 percent, please identify those that have indicated to the OCI that they have begun pricing or plan to price their products to reach an 80 percent MLR.
3. On page 5 of the OCI's application, the OCI states that "some companies target lower-income populations by offering low-cost coverage and rate guarantees;" "[s]ome are focused on a temporary insurance market;" "[s]ome compete as Health Maintenance Organization ("HMO") plans in more localized markets;" and one not for profit company

“provides a unique individual health insurance product aimed at early retirees before they qualify for Medicare.” For each of these categories, please identify the issuers by name.

Additionally, the OCI states that “[i]n many Wisconsin rural communities there are limited health insurers offering comparable access to affordable, local health care coverage, than on a state-wide basis.” For each local market that the OCI believes to be underserved and more concentrated, please identify such local market, and for each such local market please provide its total number of enrollees as well as the number of enrollees covered in such market by each of the 18 issuers included in the OCI’s application.

4. It appears that OCI calculated the credibility adjustments without interpolating the base credibility factor values, as required by 45 CFR 158.232(b)(2). Additionally, while Appendix II of the OCI’s application states that the OCI’s rebate estimates are based on the 2010 SHCE data, we were unable to match OCI’s rebate estimates using these data. Based on our assessment of select SHCE data, we calculate 2010 MLRs (using the Federal definition of MLR) and rebates for the 18 issuers included in the OCI’s application 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 a description of your methodology.

Issuer	Life Years	MLR Before Credibility Adjustment	Credibility Adjustment	MLR After Credibility Adjustment	Estimated Rebate based on 2010 MLR
Wisconsin Physicians	29,848	83.5%	1.5%	85.0%	\$0
Golden Rule	26,605	71.5%	1.6%	73.1%	\$4,136,901
BCBS of WI	19,619	81.0%	2.0%	83.0%	\$0
Time	18,469	70.0%	2.0%	72.0%	\$3,926,172
Compcare	18,298	78.8%	2.0%	80.8%	\$0
Humana	16,239	72.9%	2.2%	75.1%	\$1,670,025
Dean Health Plan	10,748	88.7%	2.6%	91.3%	\$0
Security Health Plan	7,858	97.3%	3.1%	100.4%	\$0
American Family	6,735	85.2%	3.3%	88.5%	\$0
WPS Health Plan	5,716	76.3%	3.5%	79.8%	\$34,777
MEGA	2,643	69.4%	5.1%	74.5%	\$340,611
Group Health Coop	3,110	72.3%	4.8%	77.1%	\$291,592
American Republic	1,711	84.0%	6.8%	90.8%	\$0
New York Life	1,540	87.6%	7.2%	94.8%	\$0
Physicians Plus	1,348	65.0%	7.6%	72.6%	\$247,783
Unity Health Plans	1,233	91.0%	7.8%	98.8%	\$0
World	1,128	97.3%	8.0%	105.3%	\$0
Celtic	786	58.5%	N/A	58.5%	\$0

Please also update the total rebate estimate figures for 2011-2013 under both the statutory 80 percent MLR standard and the OCI's proposed adjustment, provided by the OCI in response to 45 CFR 158.322(c) and (d). Please note that the OCI's estimate of the total amount of rebates for 2011 of \$4.4 million is significantly lower than the sum of projected rebates for each issuer listed in the table above under both OCI's and CCIIO's estimates.

5. CCIIO has recently been informed that American Republic and World, which are part of the American Enterprise Group, are withdrawing from the individual health insurance market in all States in which they have individual health insurance business. Please confirm that these two issuers are leaving the Wisconsin individual market, and please provide a copy of these issuers' notice of withdrawal.
6. Please also provide a copy of withdrawal notices for Consumers Life Ins. Co. and American Community Mutual.

Once again, we appreciate Wisconsin's cooperation in 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,

/Signed, GC, January 9, 2012/

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