



May 26, 2011

By Email and Regular Mail

Linda Nemes
Senior Insurance Research Analyst
Delaware Department of Insurance
Dover, DE 19904-2465

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

Dear Ms. Nemes:

On May 26, 2011, the Center for Consumer Information and Insurance Oversight ("CCIIO") emailed you a letter regarding information the Delaware Department of Insurance ("DDI") must submit in order to complete its application for an adjustment to the medical loss ratio ("MLR") standard for the Delaware individual health insurance market. Although the DDI has not yet finalized its application, CCIIO has, in the interest of expediting the process, performed a preliminary review of the information the DDI has already submitted.

Based upon that review, we have some follow-up questions regarding the information the Department has already submitted with its application, dated May 12, 2011. These questions are distinct from the information that our separate May 26 letter indicates the DDI must submit before its application is deemed complete. Application completeness, and hence commencement of CCIIO's 30-day application processing period, will not be impacted by the timing of the DDI's response to the follow-up questions listed below. Nevertheless, prompt responses to the questions in this letter will greatly assist the Secretary in making a prompt determination as to whether to grant the DDI's request for an adjustment to the MLR standard. We would consequently appreciate receiving the DDI's responses within seven (7) calendar days from the date of this letter. The responses should be submitted to MLRAdjustments@hhs.gov. Please understand that after receiving the DDI's complete application we may have some additional questions.

Please provide the following information:

1. 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 DDI has provided a forum for public input regarding the DDI's application for an adjustment to the MLR standard. Please provide copies of any public

input, other than the letters from NAIFA-Delaware, David Banet & Associates, and Financial House attached to the DDI's application, that the DDI has received regarding its MLR standard adjustment request.

2. Page 1 of the DDI's application states that most of the individual products in Delaware are for medical expense and fall under the guaranteed renewable category, and hence have an MLR of 60 percent. Page 5 of the DDI's application confirms that "Delaware has a minimum loss ratio requirement of 60% in the individual market." Please indicate when the MLR first became 60 percent for guaranteed renewable medical expense products in the Delaware individual health insurance market.
3. Page 2 of the DDI's application indicates that Blue Cross Blue Shield of Delaware (BCBS"), Aetna Life Insurance Company ("Aetna"), and Golden Rule Insurance Company ("Golden") are the three major issuers in the Delaware individual health insurance market, "have an overwhelming majority of the market share" of that market, and are "actively offering insurance coverage in Delaware's individual market." Please identify every other issuer that is actively offering insurance coverage in the Delaware individual health insurance market.
4. Page 3 of the DDI's applications states that "Delaware is very concerned that at least two of the three companies may exit the market without some form of relief via the 'phase-in' of the MLR, and page 5 of the DDI's application indicates that there are three major health insurers in Delaware and that the DDI fears that at least two of them will exit the market if an MLR adjustment is not granted. Please confirm that BCBS, Aetna, and Golden are the three companies to which these statements refer and identify which of those firms are the issuers that the DDI fears will leave the market. Please describe what each of those two issuers has said or done that has given the DDI this fear.
5. The DDI indicates on page 5 of its application that the DDI believes that the major carriers in the individual market will be forced to reduce the level of agent compensation, "resulting in a huge decrease in the number of active agents selling individual health insurance products," unless the DDI's MLR adjustment request is granted. Please provide the DDI's best estimate of what generally is the current level of agent compensation for individual health insurance business in Delaware, what that level would be if no MLR adjustment were granted, and what that level would be if DDI's request for adjustment is granted. Please also provide the DDI's best estimate of the number of active agents selling individual health insurance products in Delaware, what that number would be if no MLR adjustment were granted, and what that number would be if DDI's request for adjustment were granted.
6. Page 5 of the DDI's application states that the DDI fears that another issuer that was planning to come into the Delaware individual health insurance market will cancel its plans if an MLR adjustment is not granted. Please identify this issuer and describe what it has said or done that has led the DDI to this conclusion.

7. With regard to the statement on page 5 of the DDI application that the DDI fears that at least two of the three major health insurers in Delaware will exit the market if an adjustment is not granted, please give the DDI's assessment of how likely it would be that the remaining issuers would not add the exiting issuers' enrollees to their books of business and explain the rationale underlying the DDI's assessment.
8. Page 6 of the DDI's application notes that one carrier is planning to increase its presence in the Delaware individual health insurance market. Please identify this issuer and describe what it has said or done that has led the DDI to this conclusion.
9. Please give the DDI's assessment of how likely it is that premiums will increase if the MLR adjustment the DDI has requested is not granted and explain the rationale underlying the Department's assessment.

We look forward to receiving the requested information so that the Secretary can make a fully informed assessment and determination. As noted above, this information is separate and apart from whether the DDI's application for an adjustment to the MLR in the Delaware individual market is complete.

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

Sincerely,

/Signed, GC, May 26, 2011/

Gary Cohen
Acting Director, Office of Oversight