



OFFICE OF INSURANCE AND SAFETY FIRE COMMISSIONER

RALPH T. HUDGENS
COMMISSIONER OF INSURANCE
SAFETY FIRE COMMISSIONER
INDUSTRIAL LOAN COMMISSIONER
COMPTROLLER GENERAL

SEVENTH FLOOR, WEST TOWER
FLOYD BUILDING
2 MARTIN LUTHER KING, JR. DRIVE
ATLANTA, GEORGIA 30334
(404) 656-2056
www.oci.ga.gov

July 15, 2011

Gary Cohen
Acting Director
Office of Oversight Center for Consumer Information and Insurance Oversight
Department of Health and Human Services
7500 Security Boulevard, Mail Stop C2-21-15
Baltimore, Maryland 21244-1850
By email: MLRAdjustments@hhs.gov

Dear Acting Director Cohen:

Thank you for your letter of July 1, 2011 and for extending the response deadline by a week. The Georgia Department of Insurance (“Department”) submits in response to your questions the narrative answers in this letter and the spreadsheet attached as Second Supplemental HHS Exhibits.

The Department appreciates the diligence of your office, the Center for Consumer Information and Insurance Oversight (“CCIIO”), in this process. The Department hopes that its efforts to provide thorough and responsive answers are helpful to the CCIIO review of the Georgia application.

Below you will find the Department’s responses to your letter of July 1, 2011:

1. In your request you identify five additional issuers not previously identified by the Department as participating in the Georgia individual market. Those issuers are BCBS Healthcare Plan of Georgia, American General Life & Accident Insurance Co., New York Life Insurance Co., Metropolitan Life Insurance Co., and Freedom Life Insurance Co. (“additional issuers”). As a threshold matter the Department identified 19 issuers in its initial submission based upon 2009 data. Of the additional issuers identified in your letter only American General Life & Accident Insurance Company was sent the initial data call, which requested data from issuers that were active in the Georgia individual market. American General Life & Accident Insurance Co. indicated that as of the year ending 2009 that it had no major medical other than a closed block of business.

The Department reviewed the Supplemental Health Care Exhibit (“SHCE”) for each of the additional issuers and each appears to have over 1,000 covered lives. This data is of course based upon year-ending 2010. The Department has updated its submission to include all information that it has at its disposal, which includes the SHCE data for each of the issuers identified in your letter of July 1, 2011. That information is included in “Ex. 6 updated 7-15-11.” The Department expects to supplement this response with estimated rebates for the additional issuers on Thursday, July 21, 2011.

2. Exhibit 3 includes projections for rebates in 2011-13 that are based upon the most recent data available at the time of the Department’s initial data call, in February of 2011. In addition, issuer # 4 explains that claims volatility is the reason for the variance. For issuer # 5 the reason given is that the relatively small size of the block of business in Georgia results in considerable MLR fluctuations.

3. Exhibit 2 is based upon 2009 data, whereas the rebate estimates in Exhibit 3 (*i.e.* 2011-13) were based upon projections from the actual results from 2010. The data call for this information was sent in February of 2011 so the estimates were based upon the most recent information at that time.

4. For issuer # 16 the explanation given is that the products are priced to ultimately reach the 80% MLR standard, but that the durational curve of the business does not allow for that level to be reached in 2011. For issuer # 11 the explanation given is that future pricing decisions have not been finalized, but the ultimate determination will be made once the final regulations and rules are in place.

5. Please see the document attached as “updated redacted commissions chart.”

6. The Department obtained the same result as CCIIO, which is set forth in Ex. 7. In addition, the Department included a second table that includes the additional insurers in the market share calculation. See, Ex. 7.

7. The table “Georgia Individual Market Estimated 2010 Federal Medical Loss Ratios” does not appear to include the deductible factors in the overall credibility adjustment. All issuers except for issuers 8, 17, and 19 agree with the life years credibility adjustment in the table. Issuers 8, 17, and 19 have not responded to the Department’s request for confirmation of the table. The Department has followed up with these issuers and expects to receive a response early next week.

Most of the responding issuers included comments consisting primarily of deductible factor information. Two issuers, MLR # 3 and 9 also provided commentary on the method that incurred claims are calculated in the SHCE. All such comments are summarized below.

The Department expects to supplement this response with data for the additional issuers and non-responding issuers on Thursday, July 21, 2011.

Issuer Comments

MLR # 1 – This issuer did not include Deductible Factor information.¹

MLR # 2 – The Credibility Adjustment of 2.0% appears to only include the Life Years adjustment. The average deductible for 2010 is \$ 2,824 which creates a Deductible Factor of 1.1949, for a total Adjustment of 2.4%.

MLR # 3 – The Credibility Adjustment of 4.5% appears to only include the Life Years adjustment. The appropriate Deductible Factor is 1.259, which yields a total Adjustment of 5.7%. In addition, the issuer disagrees with the manner the MLR rebate is calculated because the calculation includes reserve adjustments from prior years in lieu of using actual claims incurred in the current year. For this issuer the actual incurred claims amount for 2010 is \$6,679,174 and the total claims amount for the MLR rebate calculation is \$6,758,335. This yields a MLR before credibility adjustment of 75.1% and a MLR of 80.8% after the total credibility adjustment of 5.7%.

MLR # 4 – The Credibility Adjustment of 3.4% appears to only include the Life Years adjustment. The average deductible for 2010 is \$3,548, which creates a Deductible Factor of 1.264, for a total Adjustment of 4.3%.

MLR # 5 – The Credibility Adjustment of 4.6%² appears to only include the Life Years adjustment. The average deductible for 2010 is \$4,983, which creates a Deductible Factor of 1.3925, for a total Credibility Adjustment of 6.5%.

MLR # 6 – The Credibility Adjustment of 6.1% appears to only include the Life Years adjustment. The average deductible for 2010 is \$ 2,648, which creates a Deductible Factor of 1.1781, for a total Credibility Adjustment of 7.2%.

MLR # 9 – The Credibility Adjustment of 4.9% appears to only include the Life Years adjustment. The appropriate Deductible Factor is 1.248, which yields a total Adjustment of 6.1%. In addition, the issuer disagrees with the manner the MLR rebate is calculated because the calculation includes reserve adjustments from prior years in lieu of using actual claims incurred in the current year. For this issuer the actual incurred claims amount for 2010 is \$3,019,255 and the total claims amount for the MLR rebate calculation is \$3,067,229. This yields a MLR before credibility adjustment of 56.5% and a MLR of 62.6% after the total credibility adjustment of 6.1%.

MLR # 10 – This issuer did not include Deductible Factor information.

MLR # 11 – This issuer did not include Deductible Factor information.

MLR # 14 – This issuer did not include Deductible Factor information.

¹ The Department did not request Deductible Factor information. The issuers that did not provide such information were not unresponsive to the Department's request for information.

² This issuer estimated a credibility adjustment of 4.7%, but agreed that the CCIIO adjustment looked correct if the deductible factor were excluded.

MLR # 15 – This issuer did not include Deductible Factor information.

MLR # 16 – The Credibility Adjustment of 2.2% appears to only include the Life Years adjustment. The average deductible for 2010 is \$3,357, which creates a Deductible Factor of 1.246, for a total Adjustment of 2.8%.

MLR # 18 - The Credibility Adjustment of 6.3%³ appears correct if the Deductible Factor is excluded. The average deductible for 2010 is \$4,881, which creates a Deductible Factor of 1.383, for a total Adjustment of 8.9%.

I appreciate your consideration and please do not hesitate to contact me with questions.

Sincerely,



Trey Sivley, *Esq.*
Assistant Director
Regulatory Services Division

Attachments

cc: Honorable Ralph T. Hudgens, Commissioner of Insurance, State of Georgia
Honorable Nathan Deal, Governor, State of Georgia
Honorable Johnny Isakson, U.S. Senator, State of Georgia
Honorable Saxby Chambliss, U.S. Senator, State of Georgia

³ This issuer estimated a credibility adjustment of 6.4%, but agreed that the CCIIO adjustment looked correct if the deductible factor were excluded.