DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop C2-21-15
Baltimore, Maryland 21244-1850

CENTERS for MEDICARE & MEDICAID SERVICES

April 4, 2011

By Email and Regular Mail

Trey Sivley, Esq.
Assistant Director
Regulatory Services Division
Georgia Office of Insurance and Safety Fire Commissioner
Two Martin Luther King, Jr. Drive
Suite 602, West Tower
Atlanta, Georgia 30334

Re: Georgia Request for Adjustment to the Medical Loss Ratio Standard

Dear Mr. Sivley:

Thank you for the State of Georgia's application for an adjustment to the medical loss ratio ("MLR") standard for its individual market. In order for Georgia's application to be complete, please provide the information listed below. Please note that the time period for the Secretary to make a determination as to whether to grant Georgia's request (45 CFR §158.345) will not begin until all of this information is received.

1. In its response to 45 CFR §158.321(d)(1) in the Excel chart labeled "Exhibit – 1," the Georgia Office of Insurance and Safety Fire Commissioner ("GOI") provided enrollee and premium data by issuer broken down by PPO, Indemnity, and HMO. Please also provide for each issuer that offers coverage in the Georgia individual market the available enrollee and premium data by product. "By product" requires that the data be delineated based on plan design (e.g., deductible, co-insurance, etc.).

2. The GOI's response to 45 CRF §158.321(d)(2)(iii) and 158.321(d)(2)(v) through 158.321(d)(2)(vii), provided in the Excel chart labeled "Exhibit – 2," indicates that certain financial data by issuer are "Not Available" or "No Response." The required data by issuer include estimated Federal MLRs and rebates in the Georgia individual market, as well as the net underwriting profit, after-tax profit and profit margin for both the individual market business and consolidated business in Georgia. For data labeled as "Not Available" or "No Response," please provide the GOI's best estimates of the required figures, using whatever data are readily available to the GOI through rate filings, NAIC filings, and any other source the GOI deems appropriate. Please indicate the

assumptions underlying the GOI's estimates and provide any supporting analyses for those assumptions.

3. The Excel chart labeled "Exhibit – 2" provides the net underwriting profit, after-tax profit, and after-tax profit margin for the individual market business of issuers' individual, small group, and large group markets that are subject to MLR requirements. Pursuant to 45 CFR §§158.321(d)(2)(vi) and 158.321(d)(2)(vii), please also provide these figures for the consolidated accident and health lines of business of each issuer offering coverage in the Georgia market to more than 1,000 enrollees.

4. Title 45 CFR §§158.321(d)(2)(vi) and 158.321(d)(2)(vii) require the net underwriting profit, after-tax profit, and profit margin for the consolidated business in the State for each issuer who offers coverage in the individual market in the State to more than 1,000 enrollees. The footnotes to the Excel chart labeled "Exhibit – 2" indicate that these data have been provided for issuers 5 and 19 on a national basis. Please either ask the issuers for the required information or provide the GOI's best estimates of the required figures, using whatever data are readily available to the GOI through rate filings, NAIC filings, or any other source the GOI deems appropriate. If estimates are provided, please indicate the assumptions underlying the GOI's estimates and provide any supporting analyses for those assumptions. Please also confirm whether the reference to issuer 19, which is not shown on the chart, should instead refer to issuer 18.

5. On page 3 of the GOI's application, the GOI proposes that the calculation of each year's MLR standard be further adjusted to pair the aggregation of data over a period of up to three years with an average of the applicable adjusted MLR standard over the same years. As stated on pages 3 and 4 of the GOI's application, this would result in a lower effective MLR standard than the adjustment proposed by the GOI on page 3 of its application. The GOI also indicates that this would result in a lower effective MLR standard through the year 2015, a period of five years.

   Neither section 2718 of the Public Health Service Act nor the MLR regulation provide for substituting different methods of calculating the MLR standard for the one set forth in 45 CFR Part 158. In addition, 45 CFR §158.311 provides that a State may request an adjustment to the MLR standard for up to three MLR reporting years. Please restate the GOI's proposal for an adjustment to the MLR standard, which is required by 45 CFR §158.322, using the methodology and definitions provided in 45 CFR Part 158. Please also restate the GOI's proposal for up to a maximum of three MLR reporting years.

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

We note that in its response to 45 CFR 158.321(d) in Exhibits 1 through 3 of its application, the GOI provides the required data by issuer without identifying company names. Please understand that while we will accept the GOI's response at this time, we may request specific company identification or additional data at a later date.

Please note that the time frame for the Secretary to determine whether to grant Georgia's request for an adjustment to the MLR standard for its individual market begins once the complete application is received, as provided in 45 CFR §158.345.

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,

/Signed, GC, April 4, 2011/

Gary M. Cohen
Acting Director, Office of Oversight