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

May 25, 2011

By Email and Regular Mail

Linda J. Sheppard
Director, Accident & Health Division and PPACA Project Manager
Kansas Insurance Department
420 SW 9th Street
Topeka, KS 66612

Re: Kansas' Request for Adjustment to Medical Loss Ratio Standard

Dear Ms. Sheppard:

On May 25, 2011, the Center for Consumer Information and Insurance Oversight ("CCIIO") emailed you a letter regarding information the Kansas Insurance Department ("Department") must submit in order to complete its application for an adjustment to the medical loss ratio ("MLR") standard for the Kansas individual health insurance market. Although the Department has not yet finalized its application, CCIIO has, in the interest of expediting the process, performed a preliminary review of the information the Department 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 April 29, 2011. These questions are distinct from the information that our separate May 25 letter indicates the Department 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 Department'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 Department's request for an adjustment to the MLR standard. We would consequently appreciate receiving the Department'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 Department's complete application we may have some additional questions.

Please provide the following information:

1. With respect to the high risk pool referenced on pages 2-3 of the Department's application ("KHIA"), please describe any funding caps or constraints that would close KHIA's enrollment or preclude KHIA from offering coverage to eligible enrollees of issuers leaving the Kansas individual health insurance market. Please also state if there

have been any periods of closed enrollment in KHIA since January 1, 2008, and, if so, the dates of each of those periods.

2. With regard to the Excel spreadsheet entitled "Issuers in Kansas Individual Market" attached to the Department's application, please confirm that the information provided thereon refers to 2010 and that there are currently only 12 issuers offering coverage in the individual market in Kansas.

3. With regard to the Excel spreadsheet entitled "Kansas Issuers With More Than 1,000 Enrollees" attached to the Department's application, please confirm that the information provided thereon is for 2010 and state the formulas used to calculate Reported MLR, Estimated 158.221 MLR, Estimated 158.221 MLR Rebate, and Net Underwriting Profit Margin. Please also state the underlying assumptions made for calculating the figures for QIA and taxes.

4. With respect to page 4 of the Department's application, please confirm that Coventry was the issuer at the March 14 Department Public Fact Finding Hearing that suggested the concept of a gradual transition to the Affordable Care Act's 80 percent MLR requirement.

5. Please provide a copy of the notice of hearing issued on January 14, 2011 that is referenced on page 4 of the Department's application.

6. Please provide a copy of the data, referenced on page 4 of the Department's application, which led the Department, after reviewing them, to determine that the proposed adjustment schedule would minimize disruption to the Kansas individual health insurance market.

7. With regard to the explanation on page 5 of the Department's application regarding how an adjustment to the MLR standard for the State's individual market will permit issuers to adjust current business models and practices in order to meet an 80 percent MLR as soon as is practicable, please provide the Department's assessment of how common it is for an issuer providing coverage to more than 1,000 enrollees in the Kansas individual health insurance market to have a multi-year contract with an outside vendor for services related to claims administration, marketing, and servicing of its policies that may not be adjusted during the term of the contract.

8. With regard to the explanation on page 5 of the Department's application regarding how an adjustment to the MLR standard for the Kansas individual market will permit issuers to adjust current business models and practices in order to meet an 80 percent MLR as soon as is practicable, please state which issuers that currently use independent agents for marketing their product in the Kansas individual health insurance market are making significant adjustments to their compensation arrangements and describe those changes.

9. With regard to the explanation on page 5 of the Department's application regarding how an adjustment to the Kansas individual market MLR will permit issuers to adjust their

business models and practices in order to meet an 80 percent MLR as soon as is practicable, please describe what new compensation models that will ensure appropriate compensation for Kansas agents and brokers have come to the Department's attention.

10. Please provide the Department's assessment regarding the views and concerns expressed in the April 18, 2011 letter from the Statewide Independent Living Council of Kansas that the Department included with the Department's application.

11. Please provide the Department's assessment regarding the views and concerns expressed in the April 27, 2011 letter from the Kansas Association of Community Action Programs that the Department included with the Department's application.

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 Departments application for an adjustment to the MLR in the Kansas 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,

Gary Cohen
Acting Director, Office of Oversight