
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:

Thank you for the Kansas Insurance Department (“Department”)’s application for an adjustment to the medical loss ratio (“MLR”) standard for its individual health insurance market. In order for the Department’s application to be complete, please provide the information listed below.

Please note that 45 CFR §158.345(a) provides that the time frame for the Secretary to determine whether to grant the Department’s request begins only when the complete application is received.

1. With regard to the Excel spreadsheet entitled “Issuers in Kansas Individual Market” attached to the Department’s application, please provide, as required by 45 CFR §158.321(d)(1), the name of each issuer listed, its share of the Kansas individual health insurance market, and a description of each of its products for which the spreadsheet gives enrollment and premium figures. Please also state for what year is the reported information, and, if it is for 2010, confirm that the enrollment and premium figures listed upon the spreadsheet are correct. For example, assuming that issuer 7758326 on the Department’s spreadsheet is Humana, the Supplemental Health Care Exhibit that Humana recently submitted to the National Association of Insurance Commissioners (“NAIC”) suggests that Humana in 2010 had 7,347 enrollees and \$11,405,308 in premiums in the Kansas individual health insurance market rather than the figures (7,140 enrollees and \$11,195,000 in premiums) listed on the Department’s spreadsheet.
2. With regard to the Excel spreadsheet entitled “Kansas Issuers With More Than 1,000 Enrollees” attached to the Department’s application, please provide, as required by 45 CFR §158.321(d)(2), the name of each issuer listed, its net underwriting profit, after-tax profit, and profit margin for its individual market business in Kansas, and its net

underwriting profit, after-tax profit, and profit margin for its consolidated business in Kansas. Please also state for what year is the reported information, and, if it is for 2010, confirm that the figures listed upon the spreadsheet are correct. For example, assuming that issuer 2438254 on the Department's spreadsheet is Coventry, the Supplemental Health Care Exhibit that Coventry recently submitted to the NAIC suggests that Coventry's total agents' and brokers' commission expenses on individual health insurance products in Kansas in 2010 was \$1,782,432 rather than the \$1,754,431 figure listed on the Department's spreadsheet.

3. Title 45 CFR §158.322(c) requires an estimate of the rebates that would be paid for MLR reporting years 2011, 2012, and 2013 if issuers offering coverage in the individual market in Kansas must meet an 80 percent MLR standard in each of those years. The Department states on page 5 of its application that its data indicates that Kansas issuers would pay in excess of \$6.3 million for rebates for the 2011 plan year. Please also provide estimates of the rebates that would be paid for MLR reporting years 2012 and 2013 if issuers offering coverage in the individual market in Kansas must meet an 80 percent MLR standard in each of those years.
4. Title 45 CFR §158.322(d) requires an estimate of the rebates that would be paid for MLR reporting years 2011, 2012, and 2013 if issuers offering coverage in the individual market in Kansas must meet the MLR standard that the Department proposes for each of those years (70 percent for reporting year 2011, 73 percent for 2012, and 76 percent for 2013). The Department states on page 5 of its application that it estimates that issuers would pay less than \$750,000 in rebates for the 2011 plan year under the adjustment the Department is proposing. Please also provide, separately for 2012 and 2013, estimates of the rebates issuers offering coverage in the individual market in Kansas would pay in each of those years.

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

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,

Gary Cohen
Acting Director, Office of Oversight