



Kansas Insurance Department

Sandy Praeger, Commissioner of Insurance

NOTICE OF HEARING

TO: ALL HEALTH INSURANCE COMPANIES OPERATING IN THE STATE OF KANSAS

FROM: SANDY PRAEGER, COMMISSIONER OF INSURANCE

**RE: MEDICAL LOSS RATIOS
DOCKET NO. 4267-F**

DATE: JANUARY 14, 2011

As you are aware, the federal health reform bill, the Affordable Care Act (ACA), sets a minimum loss ratio standard of 80% in the individual health insurance market. This standard is in effect for 2011 plan years and health insurers that do not meet the standard will have to provide rebates beginning in 2012. As Insurance Commissioner, I am concerned about the impact of this new standard on the insurance companies operating in Kansas and any potential disruption of the insurance market as a whole. Therefore, pursuant to the authority granted under K.S.A. 40-281, the Kansas Insurance Department (the "Department") will hold a fact finding hearing on this issue on Monday, March 14, 2011 from 1:00 pm to 5:00 pm in the Shawnee A Room of the Maner Conference Center adjacent to the Capitol Plaza Hotel, 1717 S.W. Topeka Boulevard, Topeka, Kansas. In order to develop an evidentiary record on the matter, the Department is soliciting written testimony about the potential for destabilization in the individual market resulting from implementation of the 80% standard in 2011 and beyond until full reform takes effect in 2014.

Based on the guidance issued by the Secretary of the U.S. Department of Health and Human Services (the "Secretary"), the Department requests that the following information be provided through oral or written testimony and/or affidavits:

For each issuer in the individual market:

- * Number of individual enrollees by product and available premium information by product

For each issuer in the individual market covering at least 1,000 enrollees:

- * Total earned premium on individual market products in the state.
- * Reported MLR under state law for individual market business in the state
- * Estimated PPACA MLR for individual market business in the state

- * Total agent and broker commissions for individual market business in the state
- * Estimated PPACA MLR rebate for individual market business in the state
- * Net underwriting profit and profit margin for individual market business and consolidated business in the state
- * RBC level
- * Whether the issuer has provided notice of exit to the insurance commissioner

I invite all health insurers and agents, as well as the public, to attend the hearing on March 14, 2011. In addition, the record will remain open until March 21, 2011 for the submission of written testimony and/or affidavits pertaining to the potential destabilizing effect of the new MLR standard.

All written testimony and correspondence may be delivered to the Department via e-mail to linda.sheppard@ksinsurance.org, by facsimile to 785-296-2537, or by U.S. mail. If you are interested in presenting oral testimony at the hearing, please contact Linda Sheppard, Director of the Accident & Health Division. The Department intends to compile the record, and if the record justifies such, to petition the Secretary of Health and Human Services to adjust the MLR percentage as stated in the ACA.

Please be advised that the Secretary may also consider any of the following information in determining whether an MLR adjustment is warranted and may also choose to hold a separate public hearing on this matter.

- * The number of insurers reasonably likely to withdraw from the individual market without an adjustment, considering the following for each insurer likely to exit the market:
 - * Each insurer's MLR relative to the 80% requirement
 - * Each insurer's solvency and profitability
 - * Requirements and limitations on market withdrawals
 - * Whether the insurer covers less than 1,000 enrollees
- * The number of enrollees covered by insurers reasonably likely to exit the market without an adjustment
- * Whether consumers would be able to access agents and brokers without an adjustment
- * Alternate coverage options in the state
- * The impact on premiums charged and cost-sharing provided by remaining insurers
- * Any other relevant information provided by the insurance commissioner