



January 4, 2011

By Email and Regular Mail

Richard H. Diamond, FSA, MAAA
Senior Life and Health Actuary
Maine Bureau Of Insurance
34 State House Station
Augusta, ME 04333-0034

Re: Medical Loss Ratio Adjustment Request Application

Dear Mr. Diamond:

Thank you for the State of Maine's application for an adjustment to the Medical Loss Ratio ("MLR") standard for its individual market. In order for Maine'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 Maine's request (45 CFR §158.345) will not begin until all of this information is received.

1. It appears that 24-A MRSA § 415-A and CMR 02-031-400 contain State market withdrawal requirements that should be described in your application pursuant to 45 CFR §158.321(b). Please explain the applicability, if any, of these provisions to the health insurance market.
2. Based on our reading of 24-A MRSA § 2736-C(8), the Superintendent has the authority to define one or more standardized individual plans that must be offered by all carriers offering individual health plans in the State. This appears to be a mechanism available to Maine to provide consumers with options in the event an issuer withdraws from the individual market, which must be described as required by 45 CFR §158.321(c). Please describe the ability of the Superintendent under this authority to require all remaining issuers to issue policies similar to those currently offered by MEGA in the event that MEGA withdraws from the Maine individual market.
3. Please provide the number of individual enrollees by product at MEGA as required by 45 CFR §158.321(d)(1). Please provide a breakdown of this data by plan design, similar to the Anthem data provided in "HHS MML Adj Req 158.321(d)" (e.g., deductible, co-insurance, and rider). If this data is not available at the Bureau, please obtain this data from MEGA.

4. For the Anthem rates provided in document “Appendix B1 Anthem Rates,” please indicate and provide the dollar or other adjustment (such as a multiplier) applied to the community rates shown for other factors, if any, such as smoking status or geography. This information is needed to comply with 45 CFR §158.321(d)(1).
5. We cannot arrive at the MEGA rates provided on page 3 of Maine’s application using the data provided in the document “Appendix B2 MEGA Rates.” Thus, it appears that the data provided in “Appendix B2 MEGA Rates” does not respond accurately or fully to 45 CFR §158.321(d)(1). Please illustrate how these rates were determined using the data provided. If necessary, please provide any additional data needed to calculate representative MEGA rates.
6. Dirigo payments should be deducted from premiums in the calculation of “MLR: Federal (Estimated)” in the document “HHS MML Adj Req 158.321(d)” pursuant to 45 CFR §§ 158.321(d)(2)(iii), 158.221(c), and 158.161. It is unclear if Dirigo payments have been accounted for in the “MLR: Federal (Estimated)” figures provided. Please indicate whether or not they have been accounted for in the “MLR: Federal (Estimated)” figures and, if they have not, please update these figures accordingly.
7. In Maine’s calculation of “MLR: Federal (Estimated)” in the document “HHS MML Adj Req 158.321(d),” quality improvement expenses are expressed as a percentage of claims but footnoted as a percentage of premiums. Please revise either the calculation or the footnote for “MLR: Federal (Estimated)” for accuracy in order to comply with 45 CFR §158.321(d)(2)(iii).
8. An error appears to have been made in calculating the credibility adjustments provided in the document “HHS MML Adj Req 158.321(d).” The computational error relates to the use of linear interpolation in calculating the base credibility factor in accordance with 45 CFR §158.232. In order to comply with 45 CFR §158.321(d)(2)(iii), which requires that the estimated MLR be determined in accordance with §158.221, which in turn requires that an issuer’s MLR is subject to the applicable credibility adjustment, if any, provided in §158.232, please revise the reported credibility adjustments.
9. We cannot replicate the calculation of “Estimated federal rebate” in the document “HHS MML Adj Req 158.321(d)” based on the assumptions provided. The formula used to calculate the rebate appears to have been reduced by 3.6%, which appears inconsistent with the requirements of 45 CFR §158.221. Please provide the assumptions supporting your calculation or recalculate the figures provided for “Estimated federal rebate” in order to comply with §158.321(d)(2)(iii), which requires that the MLR be determined in accordance with §158.221.
10. The document “HHS MML Adj Req 158.321(d)” provides underwriting gain and after-tax profit data for the consolidated individual, small group, and large group businesses of each issuer offering coverage in the Maine individual market to more than 1,000 enrollees. Please also provide underwriting gain and after-tax profit data for the consolidated accident and health lines of business (including the consolidated individual, small group, and large group businesses) of each issuer offering coverage in the Maine

market to more than 1,000 enrollees in order to comply with 45 CFR §§158.321(d)(2)(vi) and 158.321(d)(2)(vii).

11. Maine's application requests that Maine's 65 percent "pure" loss ratio be substituted for the 80 percent federal MLR. The adjustment permitted by 45 CFR §158.301 is an adjustment to the numerical minimum loss ratio established by statute. Neither the statute nor the regulation provides for the substitution of different definitions or methods for calculating the medical loss ratio standard. Thus, Maine's proposal as to the adjustment it seeks to the MLR standard, which is required by 45 CFR §158.322, should be stated as the MLR Maine seeks using the definitions and formula provided in 45 CFR Part 158.

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

Please note that the time frame for the Secretary to determine whether to grant Maine'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, SL, January 4, 2011/

Steven Larsen
Director, Office of Oversight