



STATE OF MAINE  
DEPARTMENT OF PROFESSIONAL  
AND FINANCIAL REGULATION  
BUREAU OF INSURANCE  
34 STATE HOUSE STATION  
AUGUSTA, MAINE  
04333-0034

JOHN ELIAS BALDACCI  
GOVERNOR

MILA KOFMAN  
SUPERINTENDENT

July 1, 2010

The Honorable Kathleen Sebelius  
Secretary, U.S. Department of Health & Human Services  
200 Independence Avenue, SW  
Washington, DC 20201

*Re: Waiver of Individual Market Medical Loss Ratio*

Dear Secretary Sebelius:

Thank you for your commitment to America's working families and individuals. I have been a strong supporter of health coverage reforms, supporting the Affordable Care Act (ACA), and am fully committed to its implementation. The ACA recognizes that states will face some challenges and allows for individual state waivers to minimize disruptions to coverage that millions of Americans now have.

Pursuant to Section 2718 of the Public Health Service Act, this is a request for a waiver of the 80% minimum medical loss ratio requirement for the individual health insurance market policies in Maine until 2014.

Maine has had a medical loss ratio requirement of 65% in the individual market since 1993. Premium rates are subject to prior approval by the Superintendent and the burden is on the insurer to demonstrate that it will meet the MLR requirement. Maine's MLR, unlike the federal standard, does not allow taxes or other expenses to be deducted nor does it consider quality improvement expenses or any other expenses to be medical. "Medical" expenses are medical claims paid. Functionally, Maine's 65% MLR is somewhat but not substantially lower than the federal standard.

Nonetheless, absent a waiver, I believe that the federal MLR standard may disrupt our individual health insurance market. There are two insurers selling coverage. Although a third insurer sells through a public-private partnership (Dirigo Health), enrollment in that program is currently closed to new individual enrollees. Loss of one of the two insurers would have a serious destabilizing effect in our individual market.



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In its filings with the Securities and Exchange Commission, one insurer has indicated its intent to pull out of individual health insurance markets (and has explicitly named one state where that decision has already been made).<sup>1</sup> Based on preliminary discussions I had with the insurer, the company could continue to operate successfully in the Maine market in compliance with our current MLR standard, but would probably need to withdraw from this market if the minimum loss ratio requirement were increased.

This company specializes in catastrophic products, which by their nature have lower claims costs, relative to expenses, than more comprehensive products. In the current market climate, before affordable care subsidies and new coverage guidelines are in place, this is an essential option for our consumers to have available. More than 13,000 Maine residents (approximately one-third of our individual market enrollees) currently depend on this insurer for coverage.

I request a determination that prior to 2014, implementation of an 80% medical loss ratio requirement may destabilize the individual health insurance market in Maine, and an adjustment to the MLR consistent with Maine's current 65% requirement for coverage issued or renewed before 2014.

I look forward to our discussions relating to this request. Please feel free to call me directly at (207) 624-8550 or Bob Wake, General Counsel at (207) 624-8430.

Very truly yours,



MILA KOFMAN  
Superintendent of Insurance

Cc: Jay Angoff, Director, OCIO

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<sup>1</sup> See 2009 Annual Report of HealthMarkets, Inc., Form 10-K, available online at:  
<http://www.sec.gov/Archives/edgar/data/773660/000095012310025695/d71540e10vk.htm>