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STATE OF MAINE
DEPARTMENT OF PROFESSIONAL
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BUREAU OF INSURANCE
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Mila Kofman
SUPERINTENDENT

Steven Larsen
Director, Office of Oversight
Office of Consumer Information and Insurance Oversight
Via Electronic Mail

Dear Mr. Larsen:

This is in response to your letter of January 4, 2011 requesting additional information relating to Maine's Medical Loss Ratio Adjustment Request. This includes the requested information. We apologize for any calculation errors that appeared in our initial submission and greatly appreciate the opportunity to provide you with the corrected information as well as the additional information you have requested.

1. The omission of these requirements from our initial application was an oversight.

When a market withdrawal involves the termination or modification of an insurer's certificate of authority to do business in Maine, the insurer must file a withdrawal plan under 24-A M.R.S.A. § 415-A, at least 60 days before its proposed withdrawal date. Rule 400 establishes more detailed standards for withdrawal plans, although most of those standards are geared toward property and casualty insurers. The withdrawal plan requirement provides important protections for Maine consumers, but they all relate to ensuring the performance of the insurer's ongoing contractual obligations throughout the runoff of its in-force business, not to the replacement of coverage after the existing policies expire. Maine's mechanism for ensuring continuing access to coverage is through its guaranteed issue law, which applies only to those carriers that remain in the market.

2. The Superintendent has authority to define more than one standardized individual plan required to be sold by all HMOs in Maine and by carriers in the individual market. Maine's statute does not allow licensed HMOs to offer non managed care products. None of the HMOs in Maine's market would therefore be allowed to offer the type of products sold by MEGA even if the standardized plans were changed. It is highly unlikely that Anthem would be able to offer the type of coverage MEGA now offers at comparable rates. Anthem has no experience in pricing or administering products of this type.



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3. See the attached spreadsheet, "me Benefit Option year end 2010.xlsm," provided by the company.
4. Anthem does not reflect rates for individual plans based on smoking status or geography.
5. The attached spreadsheet "MEGA Rate Calc.xls" shows the derivation of the MEGA rates provided on page 3 of our application from the formulas and factors in "Appendix B2 MEGA Rates."
6. The Dirigo access fee is included in the 4.2% estimate of state taxes and fees. This estimate breaks down roughly as 2% premium tax, 1.2% Dirigo access fee, and 1% other. The Dirigo Access fee is 2.14% of certain paid claims. On average, this is about 1.2% of premium.
7. The formula has been corrected on the attached spreadsheet, "HHS MML Adj Req 158 321(d) Revised.xls."
8. The credibility adjustments have been corrected on the attached spreadsheet, "HHS MML Adj Req 158 321(d) Revised.xls." In addition the average deductible in the formula for Anthem's credibility adjustment has been corrected from \$7,400 to \$7,800.
9. The 3.6% reduction in the original calculation was in error and has been removed. Corrections were also made to adjustment to earned premiums to exclude state taxes and fees, which should have been 0.958 rather than 0.97.
10. See revised spreadsheet based on the clarification in your letter. Note that while the previous version reflected the individual, small group, and large group lines for Maine business only, the revised version reflects all health lines in all states.
11. Our proposal to follow existing state law was based on the guidance on Page 117 of the preamble to the Interim Final Rule, which explained that Section 2718 of the Public Health Service Act "does not specify the kind or amount of adjustment the Secretary may make." Because § 158.322 of the Interim Final Rule requires only a "proposal as to the adjustment," we misunderstood the guidance in the preamble as leaving states flexibility as to the "kind ... of adjustment" that a state could request.

As requested, we hereby revise our proposal, and request that the Secretary adjust the federal minimum loss ratio requirement to 65% for reporting years 2011 through 2013, consistent with Maine's existing numerical threshold. After comparing the application of the federal MLR definition and the State MLR definition, we have determined that the results under both definitions vary by less than 0.3% (before credibility adjustment) for MEGA Life based on 2009 data.

The supporting information that we provided in our initial application remains valid and relevant, except that our estimate of the rebates that would have been paid in 2009 (if an 80% minimum MLR had been in effect and the same rates had been in effect) has been revised to \$1.9 million as shown in the attached spreadsheet.

Please let us know if you need additional information.

Sincerely,

Richard H. Diamond

Richard H. Diamond, FSA, MAAA
Life and Health Actuary