



Texas Department of Insurance

Commissioner of Insurance, Mail Code 113-1C
333 Guadalupe • P. O. Box 149104, Austin, Texas 78714-9104
512-463-6464 telephone • 512-475-2005 fax • www.tdi.state.tx.us

July 28, 2011

The Honorable Kathleen Sebelius
Secretary
U.S. Department of Health and Human Services
200 Independence Avenue, S.W.
Washington, D.C. 20201

RE: Request for Adjustment to the Medical Loss Ratio (MLR) for the State of Texas

Dear Secretary Sebelius:

The enclosed document represents a request for adjustment to the Medical Loss Ratio (MLR) for the State of Texas prepared in accordance with 45 C.F.R. Part 158.

As you know, Texas is party to a multi-state lawsuit challenging the constitutionality of the federal health care reform legislation. While we await adjudication, we should act to ensure that implementation of the law does not unduly upset the marketplace and adversely impact availability.

After careful examination of the potential impact of the MLR requirement on the individual health insurance market in Texas, I have concluded that the immediate implementation of an 80 percent MLR is likely to stifle competition in the market and constrain many Texans' access to coverage. The individual market is distinct. Texas has a number of large carriers as well as an appreciable number of smaller carriers that offer individual coverage. Over 700,000 Texans rely on coverage through the market. Additionally, the high uninsured rate in the State makes access to affordable, high quality health insurance of critical importance.

The results of the Department's analysis of the impact of the MLR requirement indicate that the majority of carriers, regardless of size, could be forced to make irrational changes in their operations, creating pricing and availability disruptions. It is also likely that a number of carriers would exit the market, choosing instead to focus on select products and states. The loss of these carriers would constitute a material difference in the availability of health insurance options and would decrease competition, which is vital to ensuring quality and value of individual coverage.

Further, while I am petitioning for Texas, I urge you to adjust the MLR on a national scale to prevent disparate impact across the states and unequal treatment of consumers. A phase-in to the MLR requirement will enable carriers to adjust their business models while ensuring the stability of the individual market in Texas and nationally.

Thank you for considering this request.

Sincerely,

A handwritten signature in black ink that reads "Mike Geeslin". The signature is fluid and cursive, with a long horizontal stroke at the end.

Mike Geeslin
Commissioner of Insurance