



November 28, 2011

**By Email and Regular Mail**

Jan M. Graeber, ASA, MAAA  
Director / Chief Actuary  
Life, Accident and Health Office  
Texas Department of Insurance  
333 Guadalupe  
Austin, TX 78714-9104

Re: Texas' Request for Adjustment to Medical Loss Ratio Standard

Dear Director Graeber:

Thank you for the additional information provided in the Texas Department of Insurance ("Department")'s November 14, 2011 letter. This letter was sent in response to the Center for Consumer Information and Insurance Oversight ("CCIIO")'s September 7, 2011 letter, which requested information necessary to complete the Department's application for an adjustment to the MLR standard in Texas' individual health insurance market.

As of the date of this letter, we deem the Department's application complete. We will issue a decision regarding Texas' application within 30 days. The Secretary may, in her discretion, extend the 30 day review period for as long a time as necessary not to exceed an additional 30 days. Should the application review period be extended, we will alert you as soon as practical.

While we are deeming the application complete, we have reviewed the information the Department provided and request further information regarding the items listed below. This information will facilitate the Secretary's determination of the application. We would appreciate receiving the Department's response within seven (7) calendar days from the date of this letter. The responses should be submitted to [MLRAdjustments@hhs.gov](mailto:MLRAdjustments@hhs.gov).

The items for which we request further information are:

1. In response to item 5 of CCIIO's September 7, 2011 letter, the Department stated that "[c]arriers have indicated in rate filings submitted to the Department that they plan to price specific products to achieve an 80 percent PPACA MLR standard," and that "[o]f the 34 carriers listed on 'Section 158.321(d)(2) Revised,' 12 have indicated that they are pricing individual products to achieve an 80 percent PPACA MLR." Please identify the issuers that have indicated, either in rate filings or otherwise, that they intend to price

their products to 80 percent by name or, if they requested anonymity, please identify them using the letter identifier assigned to that issuer in the Department's application.

2. Please confirm that the 2010 SHCEs for issuers "L," "U," and "V" were included with the Department's November 14 submission, and if not, please provide their 2010 SHCEs. Additionally, please indicate which, if any, of these three issuers have submitted a withdrawal plan pursuant to 28 Texas Insurance Code §§827.001-827.011 and 28 Texas Administrative Code §§7.1801-7.1808.
3. Based on the 2010 SHCE data, issuer "K" (Southwest Life & Health Ins. Co.) had 995 covered lives, \$2 million in premium, and an 80% credibility-adjusted MLR. According to Attachment 2 to the Department's November 14 letter, issuer "K" had 7,741 covered lives, \$10 million in premium, and a 56% MLR. While we appreciate that collecting assumptions information for all issuers would be burdensome for the Department, we are concerned with the magnitude of the discrepancy and the potential impact on our analysis, and ask that the Department explain the discrepancy in the MLR and size of business for issuer "K."
4. According to Attachment 2 to the Department's November 14 letter, issuer "Q" had a credibility-adjusted MLR of 94%, which suggests that issuer "Q" would not owe rebates under an 80% standard. However, Attachment 2 indicates estimated rebates of \$1.2 million for issuer "Q" under an 80% standard. Please correct the estimated MLR or rebate amount, or please explain the reason for this inconsistency.
5. Please provide the 2010 SHCEs for National Health Ins. Co. and Tower Life Ins. Co. Please also provide a copy of the withdrawal letters from these two issuers, as well as American Republic Ins. Co. and World Ins. Co.

Once again, we appreciate the Department's cooperation in working together to implement the Patient Protection and Affordable Care Act. If you have any questions during this process, please contact the Office of Oversight by email at [MLRQuestions@hhs.gov](mailto:MLRQuestions@hhs.gov) or by phone at (301) 492-4457.

Sincerely,

/Signed, GC, November 28, 2011/

Gary M. Cohen  
Acting Director, Office of Oversight  
Center for Consumer Information  
and Insurance Oversight