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**From:** Steve Larsen, Director, Office of Oversight

**Title:** Insurance Standards Bulletin Series--INFORMATION

**Subject:** OCIO Technical Guidance (OCIO 2010 – 2A): Process for a State to Submit a Request for Adjustment to the Medical Loss Ratio Standard of PHS Act Section 2718

**Markets:** Individual

I. Purpose

Section 2718 of the Public Health Service Act (PHS Act), as added by the Patient Protection and Affordable Care Act (Affordable Care Act), requires health insurance issuers (issuers) to submit a report to the Secretary concerning their medical loss ratio (MLR) and requires them to issue a rebate to enrollees if the issuer’s MLR is less than the percentages established in section 2718(b). Section 2718(b)(1)(A)(ii) grants the Secretary authority to adjust the MLR standard in the individual market if the Secretary determines that application of the 80 percent MLR standard may destabilize the individual market in a State.

The interim final rule (IFR) for Health Insurance Issuers Implementing Medical Loss Ratio (MLR) Requirements Under the Patient Protection and Affordable Care Act, 75 FR 74864 (to be codified at 45 CFR Part 158), was published on December 1, 2010. The IFR establishes a process by which a State may request an adjustment to the MLR standard and sets forth the information that must be included in such a request (§§158.301 through 158.350). Sections 158.320 and 158.340(a) of the IFR specify that a State must submit the required information to the Secretary electronically. Specifically, §158.340(a) provides that the information must be submitted electronically to an address and in a format prescribed by the Secretary. This Bulletin sets forth the address and format by which a State must submit its MLR adjustment request to the Secretary.

II. Background

The PHS Act in section 2718(b) and the IFR in §§158.210 and 158.240 require an issuer to rebate to enrollees, on a pro rata portion, if the ratio of the amount of premium revenue expended by the issuer on reimbursement for clinical services provided to enrollees under the health insurance coverage and for activities that improve health care quality to the total amount of premium revenue (excluding Federal and State taxes and licensing or regulatory fees) is less than 80 percent in the individual market.

If the Secretary determines that application of the 80 percent MLR standard required by section 2718(b)(1)(A)(ii) may destabilize the individual market in a State, the Secretary has authority to adjust the MLR standard for that State. Sections 158.301 through 158.350 of the IFR detail the process by which a State may request an adjustment to the MLR standard. Sections 158.320 and 158.340(a) specify that a State must submit the required information to the Secretary electronically. Specifically, §158.320 provides that a State must submit the information required by §§158.321 through 158.323 in electronic format, and §158.340(a) requires a State to submit electronically, to an address and in a format prescribed by the Secretary, all of the information required by the IFR in order to request an adjustment to the MLR standard.

### III. Address and Format that States Must Use to Submit Request for MLR Adjustment

Pursuant to the authority granted to the Secretary in §158.340(a) to establish the address and format of requests, a State requesting an MLR adjustment must submit electronically its request and the information required in §§158.320 through 158.323 to the Secretary via the following electronic email address: [MLRAdjustments@hhs.gov](mailto:MLRAdjustments@hhs.gov). HHS will generate an auto-response email to confirm receipt by HHS of the State's MLR adjustment request. If a State does not receive such an email confirming receipt, the State must contact HHS at (301) 492-4457 to confirm whether HHS received the State's email request.

A State submitting a request for an MLR adjustment must submit all data required by §158.321(d) to the Secretary in Excel spreadsheet format.

If, as provided in §158.340(b), a State, at its option, chooses to submit an application by overnight delivery service or by U.S. mail in addition to the mandatory submission by email, a State may submit the application to HHS, Office of Consumer Information and Insurance Oversight, Office of Oversight, attention MLR Division, Room 737F, 200 Independence Ave. SW, Washington, DC 20201.

#### **Where to get more information:**

If you have any questions regarding this Bulletin, please contact the Office of Consumer Information and Insurance Oversight, Office of Oversight, by telephone at (301) 492-4457 or by email at [MLRQuestions@hhs.gov](mailto:MLRQuestions@hhs.gov).