



January 9, 2013

By Email and Regular Mail

Eric Cioppa
Superintendent of Insurance
Bureau of Insurance
State of Maine Department of Professional and Financial Regulation
34 State House Station
Augusta, Maine 04333-0034

Re: Maine's Request for Continuation of Adjustment to Medical Loss Ratio Standard

Dear Superintendent Cioppa:

This letter responds to the request of the Maine Bureau of Insurance (Bureau) for a continuation of the adjustment of the medical loss ratio (MLR) standard applicable to the individual health insurance market in Maine to 65 percent for 2013. As discussed more fully below, we have determined not to act on the Bureau's request at this time, because we find that the information available at this time is insufficient to make a fully informed determination. In order to afford the Bureau an option to provide additional information after it becomes available, we will not consider the Bureau's application to be complete at this time.

In December 2010, the Bureau requested an adjustment of the MLR standard applicable to Maine's individual market to 65 percent for the MLR reporting years 2011 through 2013. In March 2011, the Center for Consumer Information and Insurance Oversight (CCIIO) within the Centers for Medicare & Medicaid Services (CMS) granted the Bureau's request for the reporting years 2011 and 2012. CCIIO granted the Bureau's request for the reporting year 2013 on the condition that the Bureau provides updated data that indicate a continued need for such an adjustment.

We have reviewed the Bureau's request and have determined that, at this time, the data presented by the Bureau are insufficient to demonstrate a need for an adjustment of the Maine individual market MLR standard to 65 percent for 2013. The Bureau's 2010 request was granted principally due to the risk that the MEGA Life & Health Insurance Company (MEGA), which has a 37 percent market share and offers products not available from the only two other issuers in the market, would withdraw absent an adjustment. However, as the Bureau acknowledges, MEGA's Maine individual market MLR has improved from an estimated 72 percent in 2009 to a Federal MLR of 80 percent in 2011. If MEGA is able to continue to reach an 80 percent MLR, granting an adjustment for 2013 at this time risks reducing the value that Maine consumers could have received for their premium dollars.

Nonetheless, we understand the Bureau's concern that MEGA's 2011 performance may not reflect its typical loss experience, and whether MEGA will be able to continue to meet the 80 percent MLR standard through 2013. In this regard, we expect that MEGA's actual 2012 performance may be a better indication of its expected 2013 MLR. This is in part because MEGA is less likely to experience high claims due to statistical fluctuation two years in a row, especially since the 2012 MLR will be based upon an aggregation of data from 2011 and 2012. Should the Bureau find that MEGA's actual 2012 experience indicates that it is unlikely to meet the 80 percent standard in 2013, the Bureau may provide us with such updated data once they become available. We would welcome the opportunity to reassess the need for a continuation of an adjustment to the Maine individual market MLR standard for 2013 at that time.

We appreciate Maine's cooperation in working together to implement the Affordable Care Act. If you have any questions, please contact the Office of Oversight by email at MLRQuestions@hhs.gov or by phone at (301) 492-4457.

Sincerely,

/Signed, TM, January 9, 2013/

Teresa Miller
Acting Director, Office of Oversight
Center for Consumer Information
and Insurance Oversight