



THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

February 24, 2011

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Mr. Mike Geeslin
Commissioner of Insurance
Texas Department of Insurance
333 Guadalupe, P.O. Box 149104
Austin, Texas 78714-9104

COMMISSIONER
OF INSURANCE

Received

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Life, Health & Licensing

Dear Commissioner Geeslin:

Thank you for your comments in support of a medical loss ratio (MLR) transition period – both nationally, and in particular, for the State of Texas. I appreciate your concern about the potential for destabilization in the individual and small group markets pending the implementation of the new MLR requirements.

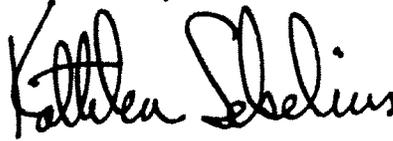
Consistent with the National Association of Insurance Commissioners (NAIC) recommendations, the MLR interim final regulation released on November 22, 2010 (the “MLR regulation”), establishes a process for states to request an adjustment to the individual market MLR for up to three years, which we believe would allow for an effective state-based transition period. In order to qualify for this adjustment, a state must demonstrate that requiring issuers in its individual market to meet the 80 percent MLR is likely to destabilize the individual market and could result in fewer choices for consumers. This adjustment enables insurance commissioners like you to work with the Department of Health & Human Services (HHS) to prevent disruption for consumers as the MLR standard is implemented.

The MLR regulation outlines the process HHS will use when evaluating requests from states or territories to adjust the statutory MLR standard. Consistent with the criteria the NAIC suggested to HHS in an October 13, 2010 letter, HHS will evaluate states’ requests using information that states provide, such as the potential impact on issuer solvency, the potential loss of carriers marketing products in the state, and the impact on consumers and competition, among other factors. Judicious application of the MLR adjustment only after a comprehensive evaluation should preserve continued market stability.

I understand from your comments that Texas has a unique insurance market structure that you believe requires a transition period for the MLR requirements for both the small group and individual markets. The MLR regulation does not contain provisions relating to potential adjustments to the MLR standard for a state’s small group market. In order for HHS to determine whether the MLR regulation permits an adjustment of the MLR standard in Texas’ individual market, the State must formally submit the required information detailed in the MLR regulation. Following the receipt of this information, HHS will review the material pursuant to the MLR regulation.

Thank you for contacting me with your concerns. Please let me know if you have any further questions. I look forward to working with Texas as we continue to implement the provisions of the Affordable Care Act.

Sincerely,

A handwritten signature in black ink, appearing to read "Kathleen Sebelius". The signature is written in a cursive style with a large initial "K" and a distinct "S" at the end.

Kathleen Sebelius