January 6, 2011

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

Dear Secretary Sebelius:

Under Section 2718 of the Public Health Service Act, the state of New Hampshire hereby submits a request for a waiver of the 80% minimum loss ratio (MLR) requirement for individual health insurance market policies in New Hampshire until 2014. The waiver application is enclosed herein. As reported in the most recent New Hampshire supplement to the annual report for calendar year 2009, the medical loss ratio for individual health insurance in New Hampshire is approximately 60%.

In 2010, New Hampshire amended its insurance rating rules to adopt a medical loss ratio requirement of 65% in the individual market. Before amending its rating rules, New Hampshire did not require a specific loss ratio standard for individual health insurance. The current MLR standard, under the amended rules, Ins 4100, for individual major medical policies is 65% where MLR is defined as the ratio of incurred claims to earned premiums. The State is proposing a rule modification that would change the MLR to 70% where MLR is defined in the same manner as the Secretary defines MLR. Functionally, although the amendment raises the loss ratio standard, the amendment of the definition of the medical loss ratio standard to the same definition used federally will produce a similar standard. This standard is significantly higher than the actual loss ratio that has been reported in the individual market over the past several years.

Absent a waiver, the application of the federal MLR to New Hampshire will disrupt the individual health insurance market. New Hampshire’s individual insurance market is dominated by a single insurance carrier. The size of New Hampshire’s market makes the market relatively unattractive to insurance carriers. Recently, in response to a Bulletin issued by the New Hampshire Insurance Department that prohibited carriers in the individual market from refusing to issue child-only individual health insurance, several of the smaller carriers stated their intention to refrain from participating in the market. The loss of carriers providing individual insurance in New Hampshire will have a destabilizing effect on the market.
New Hampshire requests that the 80% federal MLR standard be replaced with New Hampshire’s 70% MLR standard until 2014. My staff and I are available to answer any questions and look forward to receiving your approval of this request.

Very truly yours,

Roger A. Sevigny

RAS:slb
Attachment - template
(a) The health carrier may not provide any health coverage issued or delivered for insurance in such discriminatory market or maintain any plan or premium schedule which may be offered out of such discriminatory market.

(b) The Secretary may hereafter approve a withdrawal plan or endorse the continuance of the existing insurance or continuing coverage, as well as any penalties or sanctions that may be levied upon or against the carriers, insurers, or employees, as the Secretary deems necessary to maintain the individual's health insurance market.

New Hampshire’s current MMR standards, pursuant to NHCA § 4100, for the individual market is 60%, where MMR is defined as the ratio of incurred claims to earned premiums.

\[ \text{MMR} = \frac{\text{Incurred Claims}}{\text{Earned Premiums}} \]

(c) The mechanism to provide options to consumers

- Discriminating markets for good cause shown
- Health coverage not renewed except for good cause
- Discrimination where the commissioner may waive or disapprove receipt of 2-year period in which the health carrier may not provide coverage in the
- Health carrier may not provide health coverage in such discriminatory market or maintain any plan or premium schedule which may be offered out of such discriminatory market.

For RSA 420-G: VI, provides as follows: "Where a health carrier decides to discontinue all or part of its health coverage in the individual market, such employer market shall offer an alternative health insurance plan to the employees and any former employees who have held such coverage for at least 180 days prior to the decision to discontinue such coverage in the individual market."

Implications on compliance:
- Any changes made by the Secretary to the standards may be appealed to the appropriate court of the state with jurisdiction.
- Insurers may seek relief from the Secretary to modify the standards in order to comply with the law.

Information regarding the state’s individual health insurance market:

- The Secretary is required to periodically report to the legislature on the state’s individual health insurance market.
- The report shall include:
  - The number of people enrolled in the individual health insurance market
  - The number of people enrolled in group health insurance plans
  - The number of people enrolled in Medicare
  - The number of people enrolled in Medicaid
  - The number of people enrolled in other public health insurance programs

If the Secretary determines that there is a reasonable likelihood that application of the 80% MMR to a state’s individual market will destabilize the market, the Secretary may declare the requirements of this Part for such state.

Template for Requesting Authorization of Individual Market Medical Loss Ratio
Pre-Existing Condition

<table>
<thead>
<tr>
<th>Pre-existing Conditions</th>
<th>Total Enrollment Period</th>
<th>Enrollment Period</th>
<th>Eligibility</th>
<th>Products Available</th>
<th>Individuals Participating</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Description</th>
</tr>
</thead>
</table>

Mechanism

In describing each mechanism, include detail on the issues participated in and products available under each mechanism, as well as any limitations with respect to eligibility, exclusionary period, and cumulative and co-insurance for pre-existing conditions.

Products Available

<table>
<thead>
<tr>
<th>Products Available</th>
</tr>
</thead>
</table>

Mechanism

In describing each mechanism, include detail on the issues participated in and products available under each mechanism, as well as any limitations with respect to eligibility, exclusionary period, and cumulative and co-insurance for pre-existing conditions.

Description

So an applicant with one month of prior coverage would not be subject to any pre-existing condition waiting period.

Pre-existing condition exclusion periods are nine months in length. However, any prior creditable coverage, including prior individual coverage, serves as an offset to the exclusion period.

Total NHHP enrollment is approximately 10,000.

Enrollment limitations are detailed in the eligibility criteria. (https://www.nhphp.org/hipaap/hipaap/download/NHHP-Plan-Comparison-Summary.pdf)

Residents who have been denied coverage in the individual market NHHP offer several plan options. (https://www.nhphp.org/hipaap/hipaap/download/NHHP-Plan-Comparison-Summary.pdf) New Hampshire has an alternative mechanism approved pursuant to HIPAA. The New Hampshire Health Plan (NHHP) is a high-risk pool that provides guaranteed issue access to NH

Editions, US News

1) Every issue will have other conditions in the individual market. Please provide the number of individual enrollees by product, available individual premiums data by product, and individual health insurance

(d) Issuance in the Single Individual Market
New Hampshire proposes an MLR standard of 70% for 2011, 70% for 2012 and 70% for 2013.

An explanation and justification of how the proposed MLR is determined:

Proposal for adjusted medical loss ratio

<table>
<thead>
<tr>
<th>Prepaid MLR</th>
<th>Estimated MLR</th>
<th>E Table</th>
<th>MLR</th>
<th>Raised MLR</th>
<th>Premium</th>
<th>Issuer</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>(ii)</td>
<td>(iii)</td>
<td>(iv)</td>
<td>(v)</td>
<td>(vi)</td>
<td>(vii)</td>
</tr>
</tbody>
</table>

Note: HHS/CMS may require the information in (4)(i) and (4)(v) to be filed in Excel.

See attached spreadsheet.
The proposed MLR adjustments are both productive and consistent with the necessary time to adjust businesses in the future.

New Hampshire is also concerned about how changing MLR standards may impact the producer community and the services they provide to which New Hampshire consumers are accustomed. These proposed MLR adjustments give both the producer community and the insurance carriers the necessary time to adjust their businesses to succeed in the future.

What factors are being considered in assessing the impact of the proposed MLR adjustments?

The proposed MLR adjustment would change the MLR to 70% where the MLR is defined as the ratio of incurred claims to earned premiums. The New Hampshire MLR standard differs from New Hampshire's MLR standard in that New Hampshire's MLR standard includes minor adjustments to the MLR calculation.

New Hampshire residents may need to purchase insurance in the state where they work rather than reside.

New Hampshire has been in a unique situation with its MLR standard, which differs from other states. New Hampshire has seen more competitive stop loss coverage to groups with 25 or more employees. New Hampshire's MLR standard allows groups of one to purchase insurance on an individual basis.

What factors are being considered in assessing the impact of the proposed MLR adjustments on the state's producer community?

The proposed MLR adjustment may have an impact on the state's producer community. The New Hampshire producer community may experience changes in the way they do business, which could affect their ability to provide services to consumers.

What factors are being considered in assessing the impact of the proposed MLR adjustments on the state's insurance carriers?

The proposed MLR adjustment may have an impact on the state's insurance carriers. The New Hampshire insurance carriers may experience changes in the way they do business, which could affect their ability to provide services to consumers.

What factors are being considered in assessing the impact of the proposed MLR adjustments on the state's consumers?

The proposed MLR adjustment may have an impact on the state's consumers. The New Hampshire consumers may experience changes in the way they do business, which could affect their ability to purchase insurance.
Additional Information: If a state holds a public hearing, the report from that hearing should be included in the request.

Concord, NH 03301
21 South Main Street, Suite 14
NH Insurance Department
Local: 603-271-7973
Fax: 603-271-7973
Leila Laddie, Health Policy Analyst
Leila.Laddie@ins.gov
OR
David Sky@ins.gov
603-271-7973
Life, Accident and Health Analyst
Name: David Sky

Please provide contact information for the person the HHS may contact regarding the request for an adjustment to the MLR standard.

State contact information:
See rows 24 & 25 in the attached spreadsheet.

(d) An estimate of the number that would be paid if the issuer offered coverage in the individual market in the state must meet the applicable MLR proposed by the state for the applicable MLR reporting years, and
(e) An estimate of the number that would be paid if the issuer offered coverage in the individual market in the state must meet an 80 percent MLR for the applicable MLR reporting years, and