



The State of New Hampshire
Insurance Department
21 South Fruit Street, Suite 14
Concord, NH 03301

Roger A. Sevigny
Commissioner

Alexander K. Feldvebel
Deputy Commissioner

March 1, 2011

By Email via MLRAdjustments@hhs.gov

Steven Larsen
Deputy Administrator and Director
Center for Consumer Information and Oversight
Department of Health and Human Services
7500 Security Boulevard, Mail Stop C2-21-15
Baltimore MD 21244-1850

RE: Request by State of New Hampshire
for Medical Loss Ratio Standard
Supplemental Questions

Dear Mr. Larsen:

The Department has prepared the following in response to the Secretary's request for additional information. The Department understands that the questions raised by this letter are follow-up questions to the Department's application. The Department trusts that any remaining questions on the follow-up responses will not delay the Secretary's determination. By separate response, the Department will respond to the HHS request for additional information required to complete the Department's application.

1. The Department has not held a public hearing with respect to this application and has no plans to do so. The Department has established a Producer Advisory Committee in which this application was discussed. The Department has met informally with market issuers. The Department has also met with other stakeholders, for example New Hampshire Voices for Health.
2. The Department has not performed this analysis.
3. The Department did not request an incremental phase-in to the 80 percent MLR standard. From the Department's perspective, the purpose of its waiver application is to preserve market stability, recognizing that no market is isolated from other markets. Starting in 2014, the Exchange will have a significant impact on all of New Hampshire's commercial insurance markets. Before the Exchange is operational, the

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Department believes that preserving the equilibrium among the different market segments is important.

4. Chesapeake is a relatively new player. The experience shown is early duration business. New Hampshire's laws allow medical underwriting and pre-existing condition waiting periods. New Hampshire's loss ratio standards are for the entire duration of the issuer's block. It is likely that the issuer assumed lower early duration loss ratios and higher later duration loss ratios. This experience might very well be consistent with the issuer's filing. The Department provided the Secretary with what Chesapeake reported to it in its supplemental report.
5. Please see number four above. The Department has not pursued discussions with Chesapeake regarding its compliance with New Hampshire's loss ratio standards. New Hampshire is a prior approval State. New Hampshire requires a loss ratio demonstrated that shows one can reasonably expect that the anticipated experience, over the block's lifetime, is reasonably expected to meet the loss ratio standard. Deviations between actual and expected results are reviewed when the issuer files rates at a subsequent date. New Hampshire regulations require annual rate filings.
6. Except where noted, the data is based on 2009. The Department does not have comparable data for 2007 and 2008.
7. Notice of market withdrawal is defined pursuant to RSA 420-G:6. No issuer has provided this statutory notice. The Department did meet informally with all of the carriers currently offering health insurance in New Hampshire's individual market. While no issuer stated that it would leave if New Hampshire's waiver request were not successful, the carriers expressed concerns about their ability to operate in New Hampshire's market without a waiver.

In the past, New Hampshire faced the prospect of having no issuers willing to write in its individual market. In 1997, the Department held a hearing, pursuant to RSA 404-C, regarding the readily availability of health insurance in New Hampshire's individual market, after BlueCross BlueShield of New Hampshire (BCBSNH) had announced that it was withdrawing from this market effective January 1, 1998. At that time, BCBSNH was the dominant carrier in the market.

There are many differences between today's situation and what occurred in 1997. Nonetheless, New Hampshire has historically not had a strong and competitive individual insurance market.

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8. The Department has not issued any guidance with respect to what might constitute 'good cause'.
9. Please find information in the attached Excel spreadsheet, MLRSupplementalInfo.xls.
10. Allowable rating factors in the small market include group size, age and industry. Small group issuers have been steadily increasing the group size factor for groups of one. As the premiums continue to rise in the small group market, more individuals will find the individual market more attractive. This may result in eroding the small employer Market by preventing employers from meeting participation requirements. As a result, the only insurance option available to some small employers may be the high risk pool. This may not disrupt the individual market, but has the potential for disrupting or destabilizing the small group market.
11. The Department did not attempt to quantify the degree to which New Hampshire residents would purchase insurance across State lines.
12. The Department had internal discussions. The Department found that Maine used similar assumptions.
13. Supplemental Report of the 2009 Health Insurance Market in New Hampshire, September 20, 2010. http://www.nh.gov/insurance/lah/documents/suprep_09.pdf

Sincerely,

David Sky
Life, Accident and Health Actuary

Attachments: MLRSupplementalInfo.xls