

**From:** Botwinick, Alexandra (HHS/OCIIO)

**Sent:** Friday, September 24, 2010 4:07 PM

**To:** 'lhickok@bcsigroup.com'

**Subject:** Waiver of the Annual Limits Requirements of the PHS Act Section 2711

**Attachments:** OCIIO\_Waiver\_Acceptance\_Letter.pdf

Dear Applicant,

Thank you for submitting an application for a Waiver of the Annual Limits Requirements of the PHS Act Section 2711. HHS has reviewed your application and made its determination. Please see the attached letter.

Please confirm receipt of this letter by replying to this e-mail with a copy to [OCIIOoversight@hhs.gov](mailto:OCIIOoversight@hhs.gov).

Please let me know if I can be of further assistance.

Sincerely,

Alexandra Botwinick

Office of Oversight

HHS/OCIIO

[alexandra.botwinick@hhs.gov](mailto:alexandra.botwinick@hhs.gov)

BCS:000001

**From:** Hickok, Linda [lhickok@bcSIGroup.com]  
**Sent:** Wednesday, September 22, 2010 3:49 PM  
**To:** Pham, Erica (HHS/OCIO)  
**Subject:** RE: Applications submission for Waiver of Annual Limits - BCS Ins Group  
**Signed By:** lhickok@bcSIGroup.com

**Attachments:** BCS Ins - Waiver - premium increase chart 092210.docx

Dear Ms. Pham:

I have attached an exhibit which provides the additional data that you requested.

Our actuary has pointed out that I misstated the high end of the weekly rates in my application letter. Please accept my apologies for this incorrect information. The actual current weekly rate ranges are as follows (and correctly indicated on the attached exhibit):

Employee	
Employee plus 1	(b)(4)
Family	

Thank you –  
Linda Hickok

*Linda H. Hickok, JD*  
*Assistant Vice President, Compliance*  
*BCS Insurance Group*  
*phone (630) 472-7726*  
*fax (630) 472-7822*

---

**From:** Pham, Erica (HHS/OCIO) [mailto:Erica.Pham@hhs.gov]  
**Sent:** Tuesday, September 21, 2010 3:49 PM  
**To:** Hickok, Linda  
**Cc:** Andrews, Jane (HHS/OCIO)  
**Subject:** Applications submission for Waiver of Annual Limits - BCS Ins Group

Dear Ms. Hickock:

For the BCS Insurance Group products offered and for which you have made an application for a waiver from annual limits, you provided us with rolled up ranges for all of the plans with differing annual limits and provided only a rolled up weekly rates for the annual limits.

What we would like is for them to show us for each annual limit level within each product, what the lowest premium is and what the highest premium is. In other words, disaggregate the annual limits in accordance with their associated premiums and with the premium that would result from going to the current annual limit to \$750,000.00.

Here's an example of how we'd want to see the additional data:

<u>Product name</u>	<u>Current annual limit</u>	<u>Current premium</u>	<u>Expected premium if Annual limit=\$750,000</u>	<u>Percent increase of current premium to expected premium</u>
---------------------	-----------------------------	------------------------	---	--

-

If under each product name they could list out the lowest and the highest premium plans and what the lowest and highest

BCS:000002

premiums' plans associated annual limits are what is the percent increase for those lowest and highest premium plans.

Because this has policy anniversaries beginning on September 24, we need to complete our review of a complete application in the next few days. It would be great if we could have this information by tomorrow, noon (eastern).

Kind Regards,

Erica Pham  
Division of Enforcement  
Office of Oversight  
OCIIO/HHS  
301-492-4108  
[erica.pham@hhs.gov](mailto:erica.pham@hhs.gov)

BCS:000003

**From:** Pham, Erica (HHS/OCIIO)  
**Sent:** Tuesday, September 21, 2010 4:49 PM  
**To:** 'lhickok@bcsgroup.com'  
**Cc:** Andrews, Jane (HHS/OCIIO)  
**Subject:** Applications submission for Waiver of Annual Limits - BCS Ins Group  
Dear Ms. Hickock:

For the BCS Insurance Group products offered and for which you have made an application for a waiver from annual limits, you provided us with rolled up ranges for all of the plans with differing annual limits and provided only a rolled up weekly rates for the annual limits.

What we would like is for them to show us for each annual limit level within each product, what the lowest premium is and what the highest premium is. In other words, disaggregate the annual limits in accordance with their associated premiums and with the premium that would result from going to the current annual limit to \$750,000.00.

Here's an example of how we'd want to see the additional data:

<u>Product name</u>	<u>Current annual limit</u>	<u>Current premium</u>	<u>Expected premium if Annual limit=\$750,000</u>	<u>Percent increase of current premium to expected premium</u>
---------------------	-----------------------------	------------------------	---	--

-  
If under each product name they could list out the lowest and the highest premium plans and what the lowest and highest premiums' plans associated annual limits are what is the percent increase for those lowest and highest premium plans.

Because this has policy anniversaries beginning on September 24, we need to complete our review of a complete application in the next few days. It would be great if we could have this information by tomorrow, noon (eastern).

Kind Regards,

Erica Pham  
Division of Enforcement  
Office of Oversight  
OCIIO/HHS  
301-492-4108  
[erica.pham@hhs.gov](mailto:erica.pham@hhs.gov)

BCS:000004

Page 5 redacted for the following reason:

-----

(b)(4)

**From:** Frias, Maria [MFrias@BCSIGROUP.COM]  
**Sent:** Monday, September 13, 2010 10:32 AM  
**To:** HHS HealthInsurance (HHS)  
**Subject:** BCS Insurance Company-Application for Waiver of Annual Limit

**Follow Up Flag:** Follow up  
**Flag Status:** Red

**Attachments:** Signed Waiver Letter & Attestation.pdf

Dear Sir,

Attached please find an application Letter for Waiver of Annual Limit for the company-BCS Insurance Company.

We will also send the original hard copy of this application via overnight mail to the attention of Mr. James Mayhew.

Should you have any questions in this regard, please contact me.

Sincerely,

*Maria Frias*

*Regulatory Analyst*

*BCS Insurance Group*

*phone (630) 472-7762*

*fax (630) 472-7822*

BCS:000006

Linda H. Hickok,  
Assistant Vice President,  
Compliance



BCS Life Insurance Company  
BCS Insurance Company  
2 Mid America Plaza, Suite 200  
Oakbrook Terrace, Illinois 60181  
T 630.472.7726 F 630.472.7822  
lhickok@bcsgroup.com

September 13, 2010

HHS, Office of Consumer Information and Insurance Oversight  
Office of Oversight  
Attention James Mayhew  
Room 747-F-04  
200 Independence Avenue, SW  
Washington, DC 20201

Re: Application for Waiver of the Annual Limits Requirements  
Limited Benefit Plans (Form 24.220)  
Insured by BCS Insurance Company, NAIC 38245

Dear Mr. Mayhew:

BCS Insurance Company hereby makes application for its currently issued limited benefit medical expense group policies and requests that the Department of Health and Human Services grants these plans a waiver of the annual limits requirements of PHS Act Section 2711 for the upcoming plan year.

1. BCS Insurance Company insures group limited benefit medical expense policies issued to employers for coverage of hourly paid and part time employees. These policies have been in effect prior to September 23, 2010. The policy anniversaries of these plans are staggered over the next 12 months beginning on September 24, 2010.
2. There are currently (b)(4) employees covered under this plan.
3. We provide each employer policyholder with a selection of several coverage levels for their group limited medical benefit plan. The ranges of these annual plan limits and rates are outlined below:

Annual maximum (combined inpatient and outpatient benefits)

Inpatient Maximums

- Daily Room & Board
- Daily ICU
- Annual Inpatient Miscellaneous

(b)(4)

Outpatient Annual Maximum

Prescription Drug Maximum

Weekly Rates

Employee

Employee plus 1

Family

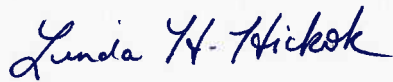
(b)(4)

4. Compliance with the interim final regulations would result in a significant increase in premiums paid by those covered by these policies. The individuals currently covered by our limited benefit plans are lower paid hourly or part time workers that are not eligible for their employer's comprehensive major medical plan. These plans are a voluntary purchase medical product with usually no employer subsidy. If the annual maximum is raised to \$750,000 per year the premiums would need to be 5 times our current limited benefit rates. This rate adjustment is based on our own company experience and the Milliman Health Cost Guidelines.
5. The required Attestation by the BCS Insurance Company Chief Executive Officer is attached.

This Application is being sent via email ([healthinsurance@hhs.gov](mailto:healthinsurance@hhs.gov)) and by overnight mail.

We respectfully request your approval of this application for waiver.

Very truly yours,



Linda H. Hickok, JD  
Assistant Vice President, Compliance



**BCS Insurance Company**  
Oakbrook Terrace, Illinois

**ATTESTATION**

I, Scott Beacham, President and Chief Executive Officer of BCS Insurance Company hereby certify that:

- a) the limited benefit policies issued by BCS Insurance Company were in force prior to September 23, 2010; and
- b) the application of restricted annual limits to such policies would result in a significant increase in premiums paid by those covered by such policies.

Signed this 13th day of September, 2010.



---

Scott Beacham  
President and Chief Executive Officer

**From:** Hickok, Linda [lhickok@bcsgroup.com]  
**Sent:** Friday, September 24, 2010 5:07 PM  
**To:** Botwinick, Alexandra (HHS/OCIIO)  
**Cc:** OCIIO Oversight  
**Subject:** RE: Waiver of the Annual Limits Requirements of the PHS Act Section 2711  
**Signed By:** lhickok@bcsgroup.com

**Follow Up Flag:** Follow up

**Flag Status:** Blue

Ms. Botwinick – this is to confirm receipt of your email and attached letter granting waiver of annual limits to BCS Insurance Company. Thank you – Linda Hickok

*Linda H. Hickok, JD  
Assistant Vice President, Compliance  
BCS Insurance Group  
phone (630) 472-7726  
fax (630) 472-7822*

---

**From:** Botwinick, Alexandra (HHS/OCIIO) [mailto:Alexandra.Botwinick@hhs.gov]  
**Sent:** Friday, September 24, 2010 3:07 PM  
**To:** Hickok, Linda  
**Subject:** Waiver of the Annual Limits Requirements of the PHS Act Section 2711

Dear Applicant,

Thank you for submitting an application for a Waiver of the Annual Limits Requirements of the PHS Act Section 2711. HHS has reviewed your application and made its determination. Please see the attached letter.

Please confirm receipt of this letter by replying to this e-mail with a copy to OCIIOoversight@hhs.gov.

Please let me know if I can be of further assistance.

Sincerely,

Alexandra Botwinick

Office of Oversight  
HHS/OCIIO  
[alexandra.botwinick@hhs.gov](mailto:alexandra.botwinick@hhs.gov)

BCS:000010



**Henry A. Carpenter**  
Senior Vice President,  
General Counsel & Secretary

**BCS Financial Corporation**  
2 Mid America Plaza, Suite 200  
Oakbrook Terrace, Illinois 60181  
T 630.472.7840 F 630.472.7822  
hcarpenter@bcsgroup.com

September 22, 2010

**VIA EMAIL DELIVERY**  
**mailto:healthinsurance@hhs.gov**

Steven B. Larsen  
Deputy Director, Office of Consumer Information and Insurer Oversight  
Department of Health and Human Services  
200 Independence Avenue, SW  
Washington, DC 20201

Re: Minimum Loss Ratio Requirements under PPACA

Dear Mr. Larsen:

BCS Financial Corporation, through its wholly-owned subsidiary BCS Insurance Company, is a leading national provider of health insurance coverages offered to part-time and temporary employees through its group limited health insurance plans, commonly known as mini-med plans. BCS now insures over (b)(4) employees, as well as their dependents, under its mini-med plans.

We are seriously concerned over the market disruption that will likely result if the mini-med segment of its business is not afforded relief from the application of the minimum loss ratio (MLR) requirements.

The BCS mini-med product is serving employer markets that historically have not offered their employees a major medical product due to affordability issues. BCS has a high concentration of its mini-med insureds in the temporary staffing and restaurant industries. Employers in these industries have elected to offer the mini-med products to their hourly, part-time and temporary workers, in some cases while providing a premium subsidy, allowing those employees access to the health care system from which they would otherwise be alienated. Employees electing mini-med coverage are provided coverage without evidence of insurability.

If mini-med plans are required to meet MLR requirements, the availability of those plans will be severely restricted. The affected employees will not have a reasonably-priced alternative providing the same level of benefits as their mini-med coverage, with any alternative available in the marketplace most likely limited to a fully-underwritten individual health insurance product well beyond the financial means of these employees, even if they could qualify by reason of health. The inability to obtain relief from the application of the MLR requirements to mini-med products would result in the contraction of employee benefits as mini-med carriers restructure their coverages while maintaining their premium rates at affordable levels.

The mini-med product differs materially from a traditional comprehensive major medical product in ways that justify a different treatment under the MLR rules. Unlike an employer's comprehensive major medical product provided to all its employees, the mini-med product is a voluntary offering by an employer. As such, enrollment and coverage verification at time of claim becomes an important, and costly, element of policy administration not typically found with traditional major medical products. Another important consideration is the amount of the premium itself, which typically runs at ten to fifteen percent of the premium for comprehensive major medical coverage. At these lower premium dollars, the percentage that would be available to meet administrative expenses after meeting MLR requirements does not produce enough dollars to cover those costs. Expenses are paid in dollars, not percentages. Requiring these relatively lower cost mini-med plans to meet the same MLR targets applicable to major medical plans does not give due consideration to the administrative cost structures of the mini-med plans.

As HHS considers the granting of waivers to the phasing out of annual limits, we can't over-emphasize that this waiver alone will not maintain the stability of the mini-med market. Unless relief is also given from having to meet the MLR requirements, the mini-med marketplace will in fact experience the market disruption that the waiver process was intended to avoid.

Thank you for consideration of our views.

Very truly yours,

A handwritten signature in black ink, appearing to read "Henry A. Carpenter". The signature is fluid and cursive, with a large initial "H" and "C".

Henry A. Carpenter

Linda H. Hickok,  
Assistant Vice President,  
Compliance



BCS Life Insurance Company  
BCS Insurance Company  
2 Mid America Plaza, Suite 200  
Oakbrook Terrace, Illinois 60181  
T 630.472.7726 F 630.472.7822  
lhickok@bcsgroup.com

September 13, 2010

HHS, Office of Consumer Information and Insurance Oversight  
Office of Oversight  
Attention James Mayhew  
Room 747-F-04  
200 Independence Avenue, SW  
Washington, DC 20201

Re: Application for Waiver of the Annual Limits Requirements  
Limited Benefit Plans (Form 24.220)  
Insured by BCS Insurance Company, NAIC 38245

Dear Mr. Mayhew:

BCS Insurance Company hereby makes application for its currently issued limited benefit medical expense group policies and requests that the Department of Health and Human Services grants these plans a waiver of the annual limits requirements of PHS Act Section 2711 for the upcoming plan year.

1. BCS Insurance Company insures group limited benefit medical expense policies issued to employers for coverage of hourly paid and part time employees. These policies have been in effect prior to September 23, 2010. The policy anniversaries of these plans are staggered over the next 12 months beginning on September 24, 2010.
2. There are currently (b)(4) employees covered under this plan.
3. We provide each employer policyholder with a selection of several coverage levels for their group limited medical benefit plan. The ranges of these annual plan limits and rates are outlined below:

Annual maximum (combined inpatient and outpatient benefits)

Inpatient Maximums

- Daily Room & Board
- Daily ICU
- Annual Inpatient Miscellaneous

Outpatient Annual Maximum

Prescription Drug Maximum

(b)(4)

Weekly Rates

Employee

Employee plus 1

Family

(b)(4)

4. Compliance with the interim final regulations would result in a significant increase in premiums paid by those covered by these policies. The individuals currently covered by our limited benefit plans are lower paid hourly or part time workers that are not eligible for their employer's comprehensive major medical plan. These plans are a voluntary purchase medical product with usually no employer subsidy. If the annual maximum is raised to \$750,000 per year the premiums would need to be 5 times our current limited benefit rates. This rate adjustment is based on our own company experience and the Milliman Health Cost Guidelines.
5. The required Attestation by the BCS Insurance Company Chief Executive Officer is attached.

This Application is being sent via email ([healthinsurance@hhs.gov](mailto:healthinsurance@hhs.gov)) and by overnight mail.

We respectfully request your approval of this application for waiver.

Very truly yours,



Linda H. Hickok, JD  
Assistant Vice President, Compliance

**BCS Insurance Company**  
**Oakbrook Terrace, Illinois**

**ATTESTATION**

I, Scott Beacham, President and Chief Executive Officer of BCS Insurance Company hereby certify that:

- a) the limited benefit policies issued by BCS Insurance Company were in force prior to September 23, 2010; and
- b) the application of restricted annual limits to such policies would result in a significant increase in premiums paid by those covered by such policies.

Signed this 13th day of September, 2010.



---

Scott Beacham  
President and Chief Executive Officer

**BCS Insurance Company**  
**Oakbrook Terrace, Illinois**

**ATTESTATION**

I, Scott Beacham, President and Chief Executive Officer of BCS Insurance Company hereby certify that:

- a) the limited benefit policies issued by BCS Insurance Company were in force prior to September 23, 2010; and
- b) the application of restricted annual limits to such policies would result in a significant increase in premiums paid by those covered by such policies.

Signed this 13th day of September, 2010.



---

Scott Beacham  
President and Chief Executive Officer



**From:** Frias, Maria [MFrias@BCSIGROUP.COM]

**Sent:** Monday, September 13, 2010 11:20 AM

**To:** HHS HealthInsurance (HHS)

**Subject:** WAIVER

**Attachments:** Signed Waiver Letter & Attestation.pdf

Dear Sir,

Attached please find an [Application Letter for Waiver of Annual Limit for the company-BCS Insurance Company](#).

We will also send the original hard copy of this application via overnight mail to the attention of Mr. James Mayhew.

Should you have any questions in this regard, please contact me.

Sincerely,

*Maria Frias*

*Regulatory Analyst*

*BCS Insurance Group*

*phone (630) 472-7762*

*fax (630) 472-7822*

BCS:000017