



Illinois Department of Insurance

BRUCE RAUNER
Governor

ANNE MELISSA DOWLING
Acting Director

Via Electronic Mail: Kevin.Counihan@cms.hhs.gov

June 30, 2016

Kevin J. Counihan
Director and Marketplace Chief Executive Officer
Center for Consumer Information and Insurance Oversight
Centers for Medicare & Medicaid Services
7500 Security Blvd.
Baltimore, MD 21244

**Re: Land of Lincoln Mutual Health Insurance Company
Notice of State Authority Regarding Risk Adjustment
Agreed Corrective Order No. 2016-1**

Dear Mr. Counihan:

On May 11, 2016, the U.S Department of Health and Human Services (HHS) issued an Interim Final Rule in which it invited state insurance regulators to determine whether authority existed under state law to mitigate the impact of Risk Adjustment (RA) Program of the Affordable Care Act as the integrity of the RA formula is further evaluated.

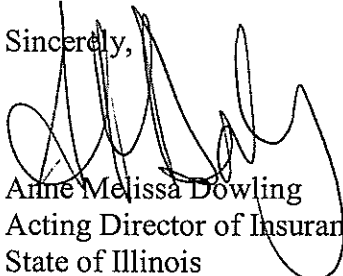
The purpose of this letter is to confirm that the authority of the Illinois Department of Insurance ("Department") exists under Illinois law to cause Lincoln of Lincoln Mutual Health Insurance Company (LLH) to suspend payment of its 2015 Risk Adjustment Program liability. Pursuant to my authority under 215 ILCS 5/35A, 215 ILCS 5/136, 215 ILCS 5/186.1, 215 ILCS 205, and 215 ILCS 5/401-407.2, on June 27, 2016 I entered Agreed Corrective Order No. 2016-1 (the "Agreed Order"). This Agreed Order prohibits LLH from making payment of any amounts claimed to be owed by it under the RA Program unless and until the policyholder claims of its consumers are either fully satisfied, or it receives payment of its 2014 and 2015 Risk Corridor Program receivables (or its claims pending in the U.S. Court of Claims for these amounts have been finally adjudicated). The Agreed Order, a copy of which is attached, was issued to preserve the solvency of LLH consistent with the well settled solvency oversight requirements found under Illinois and federal law and is designed to prevent an immediate liquidation of LLH.

As you know, a mid-year liquidation would trigger marketplace disruption and extreme financial harm to LLH's 49,000 Illinois insureds if their health insurance policies are cancelled mid-term, prior to the 2017 open enrollment period and plan year. A mid-year liquidation would require a special enrollment, the consequence of which would force LLH policyholders to "restart" their calendar year deductibles and out-of-pocket maximums and, as we have observed in other states, cause the elimination of in-network provider participation and/or discounts.

The Department and the Centers for Medicare & Medicaid Services (CMS) / Center for Consumer Information and Insurance Oversight (CCIIO) have worked very closely over the past year, and we collaborated in October of 2015 on the decision to allow LLH to participate in the 2016 Illinois health insurance exchange marketplace. Although the Department was disappointed to learn that the Risk Adjustment program payment plan options CMS/CCIIO suggested were later withdrawn, I know from our discussions that you share our goal of achieving an orderly wind-down of the current plan year in an attempt to avoid harm to Illinois individuals and families who have purchased an LLH policy on the federal partnership health insurance exchange established in Illinois.

Please contact me at any time to discuss the foregoing.

Sincerely,

A handwritten signature in black ink, appearing to read "Anne Melissa Dowling", written over the typed name and title.

Anne Melissa Dowling
Acting Director of Insurance
State of Illinois

Enc.

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



CONFIDENTIALITY WAIVED

IN THE MATTER OF:

Land of Lincoln Mutual Health Insurance Company
222 S. Riverside Plaza, Suite 1600
Chicago, IL 60606

AGREED CORRECTIVE ORDER: NO. 2016-1

Land of Lincoln Mutual Health Insurance Company (the Company) IS HEREBY NOTIFIED that pursuant to Sections 5/186.1 and 5/401 of the Illinois Insurance Code (the "Code") (215 ILCS 5/186.1 and 5/401) and 50 Ill. Adm. Code 1250.20 the Director (the "Director") of the Illinois Department of Insurance (the "Department") has determined that the Company is operating in a manner that could lead to, or is in, a financial condition, which if continued would make it hazardous to the public, and its policyholders; and

WHEREAS, the Director is a duly authorized and appointed official of the State of Illinois, having authority and responsibility for the enforcement of the insurance laws of this State; and

WHEREAS, The Company is a licensed mutual Accident and Health insurance company subject to the regulation and jurisdiction of the Illinois Director of Insurance pursuant to the provisions of the Illinois Insurance Code (215 ILCS 5/1 *et seq.*); and

WHEREAS, Section 186.1 of the Code provides that operation or financial condition deficiencies supporting the Director's determination under subsection (1) may include, but are not limited to, the following:

(a) The company has failed to maintain a relationship of policyholder surplus to premium writings or policyholder surplus to claim and unearned premium reserves which provides a reasonable margin of safety for the policyholders considering the classes of insurance the company is writing.

* * *

(c) The company's current or projected net income is inadequate to meet its present or projected obligations.

and;

WHEREAS, the Company has triggered the foregoing standards due to the following:

1. The Company reported a net operating loss of an amount in excess of \$90,000,000 on its 2015 Annual Statement; and
2. The Company reported additional losses in excess of \$17,000,000 through May 31, 2016; and
3. The Company's statutory surplus as of May 31, 2016 is \$10,992,278; and
4. The Company has reported a monthly Risk Based Capital ("RBC") ratio of 104% as of May 31, 2016; and
5. Payment of the Company's 2015 Risk Adjustment liability would trigger an RBC mandatory control level event under 215 ILCS 5/35A-30; and

WHEREAS, the Patient Protection and Affordable Care Act ("ACA"), Public Law No. 11-148, §1343, 42 U.S.C. §18063, created three interrelated premium stabilization programs, which are also known as the "Three Rs": "Reinsurance", "Risk Corridor", and "Risk Adjustment". ACA §§1341-1343; 42 U.S.C. §§18061-18063; and

WHEREAS, on December 13, 2014, the U.S. Congress adopted the Consolidated and Further Continuing Appropriations Act of 2015 (the "CAA of 2015") which placed Risk Corridor funding in jeopardy; and

WHEREAS, the U.S. Department of Health and Human Services ("HHS") issued a May 11, 2016 Interim Final Rule, in accordance with 45 C.F.R. Parts 155 and 156, determining that it would not alter the formula for the Risk Adjustment program prior to 2017, but indicated that States could exercise state authority to take corrective action in their local markets, ruling as follows:

Based on our experience operating the 2014 benefit year risk adjustment program, HHS has become aware that certain issuers, including some new, rapidly growing, and small issuers, owed substantial risk adjustment charges that they did not anticipate. HHS has had a number of discussions with issuers and State regulators on ways to help ease issuers' transition to the new health insurance markets and the effects of unanticipated risk adjustment charge amounts. We believe that a robust risk adjustment program that addresses new market dynamics due to rating reforms and guaranteed issue is critical to proper functioning of new markets. However, we are sympathetic to these concerns **and recognize that States are the primary regulators of their insurance markets. We encourage States to examine whether any local approaches, under State legal authority, are warranted to help ease this transition to new health insurance markets;** and

WHEREAS, although the Company's 2015 Risk Adjustment liability will not be definitively known until it is published on June 30, 2016 by the Centers for Medicare and Medicaid Services

("CMS"), the Company anticipates its liability could be as high as \$38,000,000, and exceed more than 20% of the Company's total premium for 2015; and

WHEREAS, on May 13, 2016, the Company requested the Director to exercise her authority under state law to suspend any liability under the Risk Adjustment program for Illinois domestic companies through the 2017 plan year; and

WHEREAS, the Company's outstanding unpaid 2014 and 2015 Risk Corridor receivable exceeds \$70,000,000; and

WHEREAS, the Company filed a lawsuit on June 23, 2016 against the United States seeking to recover its 2014 and 2015 Risk Corridor receivable; and

WHEREAS, the Company requested a permitted accounting practice from the Director on June 23, 2016, which would permit the Company, in the absence of any suspension of its 2015 and 2016 Risk Adjustment liability, to report its 2014 and 2015 Risk Corridor receivable on its financial statements in an amount not to exceed its 2015 and 2016 Risk Adjustment liability;

WHEREAS, the Illinois Insurance Code ("Code") vests the Director as the Company's domestic regulator with authority over the Company's solvency, corrective action, accounting practices and financial reporting, and creditor payment priority in accordance with, but not limited to, Sections 35A, 136, 186.1, 205 and 401-407.2 of the Code, 215 ILCS 5/35A, 5/136, 5/ 186.1, 5/205, 5/401-407.2; and

WHEREAS, the Director finds that payment of the Company's 2015 Risk Adjustment liability prior to its receipt of its 2014 and 2015 Risk Corridor receivable will place the Company in a financial condition that is hazardous to Illinois consumers, and the Company's policyholders and creditors;

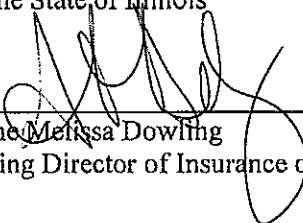
NOW, THEREFORE, IT IS ORDERED by the Director on the basis of the foregoing determinations and findings, and **AGREED** by the Company:

1. A state solvency payment restriction is hereby implemented over the Company's 2015 Risk Adjustment liability.
2. Payment of the Company's 2015 Risk Adjustment liability shall be suspended until the Company's 2014 and 2015 Risk Corridor receivable is collected or a final judgment in its lawsuit for recovery thereon is finally adjudicated, and an order approving payment is issued by the Director.
3. Notwithstanding the suspension hereunder of payment of the Company's 2015 Risk Adjustment liability, the Company shall hereafter continue to accrue and report its 2015 and 2016 Risk Adjustment liability on its financial statements.

4. The Company is permitted to accrue and report its 2014 and 2015 Risk Corridor receivable on its financial statements.
5. The Company hereby waives confidentiality of this Order, and agrees that it is a public record. All other records of the Director and the Department related to this matter shall remain confidential as required by 215 ILCS 5/186.1(6).
6. The Company agrees that its failure to comply with any of the terms of this Order may result in proceedings by the Director for the conservation, rehabilitation or liquidation of the Company under Article XIII of the Illinois Insurance Code (215 ILCS 5/187 et seq.), and that nothing in this Order shall prevent the Director from taking such action or any other action provided for by law during the time this Order remains in effect, or in any way limit any power or authority given the Director by the Code.
7. The Company agrees that any failure to comply with the terms of this Order or any failure to cooperate with the Director or his representatives in any proceeding or investigation preliminary to any proceeding regarding this matter shall subject you to penalties referred to in Section 186.2 of the Illinois Insurance Code (215 ILCS 5/186.2).

DEPARTMENT OF INSURANCE
of the State of Illinois

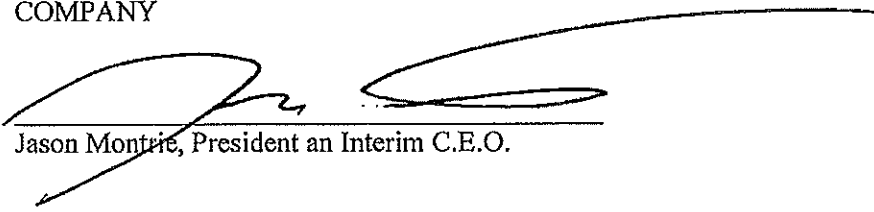
Date: 6-27-16



Anne Melissa Dowling
Acting Director of Insurance of the State of Illinois

LAND OF LINCOLN MUTUAL HEALTH INSURANCE
COMPANY

Date: 6/27/16



Jason Montrie, President an Interim C.E.O.

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



IN THE MATTER OF:

Land of Lincoln Mutual Health Insurance Company
222 S. Riverside Plaza, Suite 1600
Chicago IL 60606

STIPULATION AND CONSENT ORDER

WHEREAS, the Director ("Director") of the Illinois Department of Insurance ("Department") is a duly authorized and appointed official of the State of Illinois, having authority and responsibility for the enforcement of the insurance laws of this State; and

WHEREAS, Land of Lincoln Mutual Health Insurance Company ("LLM") is a domestic mutual insurance company organized under and existing by virtue of the laws of the State of Illinois, authorized to transact the kinds of insurance business authorized under Class 1 (b) of Section 4 of the Code, and

WHEREAS, LLM operates as a qualified nonprofit health insurance issuer under the provisions of section 1322 (c) of the Patient Protection and Affordable Care Act (Public Act 111-148) (the "Act"), and substantially all of its activities consist of the issuance of both small and large group qualified health plans, as defined in section 1310(a) of the Act including; and

WHEREAS, LLM issued such plans for the 2016 plan year insuring approximately 51,000 lives in Illinois; and

WHEREAS, the Act established a risk corridor program, among other things, that was to provide additional funding to insurer's when their allowable costs exceed its targeted amount; and

WHEREAS, on December 13, 2014, Congress adopted the Consolidated and Further Continuing Appropriations Act of 2015 (the "CAA of 2015") which placed in jeopardy projected risk corridor funding; and

WHEREAS, the above described plans are up for renewal for the 2017 plan year, but due to the adverse impact that the lack of risk corridor funding has had on LLM's financial condition allowing such renewals may be hazardous to policyholders; and

WHEREAS, nothing herein contained, nor any action taken by or in connection with this Stipulation and Consent Order, shall constitute, or be construed as an admission of fault, liability or wrongdoing of any kind whatsoever by LLM; and

WHEREAS, LLM is aware of and understands the various rights in connection with the examination report, including the right to counsel, notice, hearing and appeal under Sections 401, 402, 407 and 407.2 of the Illinois Insurance Code and 50 Ill. Adm. Code 2402; and

WHEREAS, LLM understands and agrees that by entering into this Stipulation and Consent Order, it waives any and all rights to notice and hearing; and

WHEREAS, LLM and the Director, in order to avoid possible harm to policyholders and the delay occasioned by further administrative action, hereby enter into this Stipulation and Consent Order.

NOW, THEREFORE, IT IS AGREED by and between LLM and the Director as follows:

1. LLM shall immediately discontinue its renewal of any and all of its small group health plans and large group health plans. Such discontinuance shall be in compliance with all state and federal law.
2. LLM shall not write any new insurance business in Illinois without prior written approval of the Director.

THEREFORE, IT IS HEREBY ORDERED by the undersigned Director that LLM shall:

1. LLM shall immediately discontinue its renewal of any and all of its small group health plans and large group health plans. Such discontinuance shall be in compliance with all state and federal law.
2. LLM shall not write any new insurance business in Illinois without prior written approval of the Director.

Nothing contained herein shall prohibit the Director from taking any and all appropriate regulatory actions as set forth in the Illinois Insurance Code, including but not limited to levying additional fees, should LLM violate any of the provisions of this Stipulation and Consent Order or any provisions of the Illinois Insurance Code or Department regulations.

<<Remainder of Page Intentionally Blank>>

On behalf of:

LAND OF LINCOLN MUTUAL HEALTH INSURANCE COMPANY


Signature

JASON MANTRE
Name

PRESIDENT
Title

Subscribed and sworn to before me this

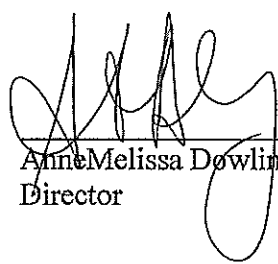
29th day of June A.D. 2016.


Notary Public



Date: June 30, 2016

DEPARTMENT OF INSURANCE of the
State of Illinois;


AnneMelissa Dowling
Director

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



IN THE MATTER OF:

Land of Lincoln Mutual Health Insurance Company
222 S. Riverside Plaza, Suite 1600
Chicago IL 60606

STIPULATION AND CONSENT ORDER

WHEREAS, the Director (“Director”) of the Illinois Department of Insurance (“Department”) is a duly authorized and appointed official of the State of Illinois, having authority and responsibility for the enforcement of the insurance laws of this State; and

WHEREAS, Land of Lincoln Mutual Health Insurance Company (“LLM”) is a domestic mutual insurance company organized under and existing by virtue of the laws of the State of Illinois, authorized to transact the kinds of insurance business authorized under Class 1 (b) of Section 4 of the Code, and

WHEREAS, LLM operates as a qualified nonprofit health insurance issuer under the provisions of section 1322 (c) of the Patient Protection and Affordable Care Act (Public Act 111-148) (the “Act”), and substantially all of its activities consist of the issuance of both small and large group qualified health plans, as defined in section 1310(a) of the Act including; and

WHEREAS, LLM issued such plans for the 2016 plan year insuring approximately 51,000 lives in Illinois; and

WHEREAS, the Act established a risk corridor program, among other things, that was to provide additional funding to insurer’s when their allowable costs exceed its targeted amount; and

WHEREAS, on December 13, 2014, Congress adopted the Consolidated and Further Continuing Appropriations Act of 2015 (the “CAA of 2015”) which placed in jeopardy projected risk corridor funding; and

WHEREAS, the above described plans are up for renewal for the 2017 plan year, but due to the adverse impact that the lack of risk corridor funding has had on LLM’s financial condition allowing such renewals may be hazardous to policyholders; and

WHEREAS, nothing herein contained, nor any action taken by or in connection with this Stipulation and Consent Order, shall constitute, or be construed as an admission of fault, liability or wrongdoing of any kind whatsoever by LLM; and

WHEREAS, LLM is aware of and understands the various rights in connection with the examination report, including the right to counsel, notice, hearing and appeal under Sections 401, 402, 407 and 407.2 of the Illinois Insurance Code and 50 Ill. Adm. Code 2402; and

WHEREAS, LLM understands and agrees that by entering into this Stipulation and Consent Order, it waives any and all rights to notice and hearing; and

WHEREAS, LLM and the Director, in order to avoid possible harm to policyholders and the delay occasioned by further administrative action, hereby enter into this Stipulation and Consent Order.

NOW, THEREFORE, IT IS AGREED by and between LLM and the Director as follows:

1. LLM shall immediately discontinue its renewal of any and all of its small group health plans and large group health plans. Such discontinuance shall be in compliance with all state and federal law.
2. LLM shall not write any new insurance business in Illinois without prior written approval of the Director.

THEREFORE, IT IS HEREBY ORDERED by the undersigned Director that LLM shall:


1. LLM shall immediately discontinue its renewal of any and all of its small group health plans and large group health plans. Such discontinuance shall be in compliance with all state and federal law.
2. LLM shall not write any new insurance business in Illinois without prior written approval of the Director.

Nothing contained herein shall prohibit the Director from taking any and all appropriate regulatory actions as set forth in the Illinois Insurance Code, including but not limited to levying additional fees, should LLM violate any of the provisions of this Stipulation and Consent Order or any provisions of the Illinois Insurance Code or Department regulations.

<<Remainder of Page Intentionally Blank>>

On behalf of:

LAND OF LINCOLN MUTUAL HEALTH INSURANCE COMPANY



Signature

Jason Montre


Name

PRESIDENT

Title

Subscribed and sworn to before me this

29th day of June A.D. 2016.

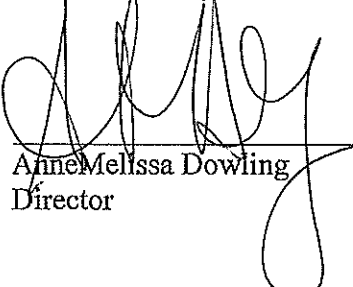


Notary Public



Date: June 30, 2016

DEPARTMENT OF INSURANCE of the
State of Illinois;



Anne Melissa Dowling
Director



Illinois Department of Insurance

BRUCE RAUNER
Governor

ANNE MELISSA DOWLING
Acting Director

Via Electronic Mail: Kevin.Counihan@cms.hhs.gov

July 5, 2016

Kevin J. Counihan
Director and Marketplace Chief Executive Officer
Center for Consumer Information and Insurance Oversight
Centers for Medicare & Medicaid Services
7500 Security Blvd.
Baltimore, MD 21244

Re: Land of Lincoln Mutual Health Insurance Company
- **Stipulation and Consent Order**
- **Request for Reconsideration – Payment of Federal Receivable Owed**

Dear Mr. Counihan:

The purpose of this letter is to follow up on the telephone conference call earlier today between Centers for Medicare & Medicaid Services (CMS) and the Illinois Department of Insurance (“Department”) regarding the above referenced matter. Pursuant to your staff’s request, attached please find the Stipulation and Consent Order discussed, which was posted to the Department’s website on Friday, July 1st.

Additionally, the Department wanted to convey its disappointment with what it perceives as a change in CMS’s position regarding LLH. It was our understanding that CMS fully supported attempts for an orderly year end wind down of LLH. However, today you advised of the federal government’s intention not to pay LLH amounts owed to it under the Reinsurance Program of the Affordable Care Act, citing *discretion* afforded pursuant to 45 C.F.R. § 156.1215. I am very disappointed that, armed with such discretion, CMS chose to take this action rather than work with Illinois on behalf of its consumers for the balance of 2016. If CMS persists in this position, I will have no alternative but to place the Company into liquidation.

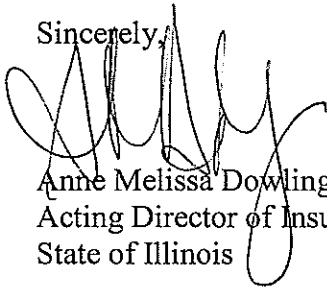
As you know, on May 11, 2016, the U.S Department of Health and Human Services (HHS) issued an Interim Final Rule in which it invited state insurance regulators to determine whether authority existed under state law to mitigate the impact of Risk Adjustment (RA) Program of the Affordable Care Act as the integrity of the RA formula is further evaluated. As authorized under state law, the Department issued an Agreed Corrective Order prohibiting LLH from making

payment of any amounts claimed to be owed by it under the RA Program unless and until policyholder claims are either fully satisfied, or it receives payment of its 2014 and 2015 Risk Corridor Program receivables (or its claims pending in the U.S. Court of Claims for these amounts have been finally adjudicated). If LLH had received the Risk Corridor Program amounts owed to it under federal law, it would not be confronted with an immediate threat to its solvency. However, rather than working with the Department on behalf of Illinois consumers, CMS has taken the position that now it won't pay amounts owed to LLH under the Reinsurance Program, either.

As you know, a mid-year liquidation will trigger marketplace disruption and extreme financial harm to LLH's 49,000 Illinois insureds if their health insurance policies terminate mid-year, prior to the 2017 open enrollment period and plan year. A mid-year liquidation will require a special enrollment, the consequence of which can force LLH policyholders to "restart" their calendar year deductibles and out-of-pocket maximums and, as we have observed in other states, cause the elimination of in-network provider participation and/or discounts.

For these reasons, we strongly urge you to reconsider your position.

Sincerely,



Anne Melissa Dowling
Acting Director of Insurance
State of Illinois

Cc: Matthew Lynch (Via E-mail)

Enclosures



Illinois Department of Insurance

BRUCE RAUNER
Governor

ANNE MELISSA DOWLING
Acting Director

Via Electronic Mail: Kevin.Counihan@cms.hhs.gov

July 8, 2016

Kevin J. Counihan
Director and Marketplace Chief Executive Officer
Center for Consumer Information and Insurance Oversight
Centers for Medicare & Medicaid Services
7500 Security Blvd.
Baltimore, MD 21244

**Re: Land of Lincoln Mutual Health Insurance Company
Request for Reconsideration – Additional Legal Authority**

Dear Mr. Counihan:

Thank you for the opportunity to present additional points supporting the position that Land of Lincoln (LLH) should receive the additional funds to which it is entitled under the Affordable Care Act and not have these funds offset against the risk adjustor payable.

As you know, it is the Department's position that 45 C.F.R. 156.1215 allows CMS the discretion to not offset amounts LLH is owed under the Reinsurance Program with amounts claimed under the Risk Adjustment Program. The Department has previously outlined the advantages to LLH policyholders should CMS take this position, the most important of which is continuation of coverage through the 2016 plan year. This situation can be distinguished from other instances where CMS has refused to allow other co-ops to off-set their liabilities with receivables owed. In those situations, the companies were already in receiverships. As such, not requiring LLH to off-set its liabilities with receivables is not inconsistent with other CMS' positions and protects LLH's 49,000 policy owners.

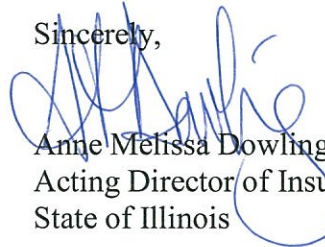
Further, the Agreed Corrective Order issued pursuant to the Department's state solvency authority prohibits CMS' ability to off-set against amounts that the Department has prohibited the company from paying. Federal law is clear that nothing in Title 42 (Public Health And Welfare) is intended to interfere with state regulatory authority that does not prevent the application of Title 42. *See*, 42 U.S.C.A. 18041 (d). By forcing LLH to make a payment (through off-set) prohibited by state insurance solvency law, CMS's action violates 18041(d) and presents an interpretation of 45 C.F.R. 156.1215 that directly contradicts an unambiguous federal law. Federal law further supports this argument with respect to co-op's specifically. *See*, 42

U.S.C.A. 18042 (c)(5) (Compliance with State insurance laws. “An organization shall not be treated as a qualified nonprofit health insurance issuer unless the organization meets all the requirements that other issuers of qualified health plans are required to meet in any State where the issuer offers a qualified health plan, including solvency and licensure requirements...”).

As a reminder, if CMS does plan to offset the LLH risk adjustor payable against its reinsurance receivable, the Illinois Department of Insurance will be compelled to move LLH into rehabilitation.

We look forward to your determination.

Sincerely,



Anne Melissa Dowling
Acting Director of Insurance
State of Illinois

Cc: Matthew Lynch (Via E-mail)



Illinois Department of Insurance

BRUCE RAUNER
Governor

ANNE MELISSA DOWLING
Acting Director

Via Electronic Mail: Kevin.Counihan@cms.hhs.gov

July 20, 2016

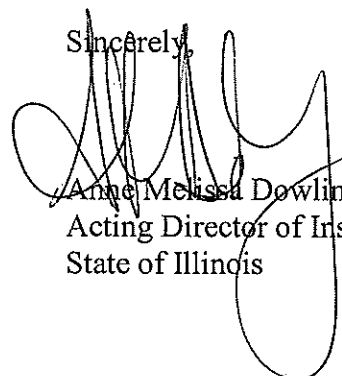
Kevin J. Counihan
Director and Marketplace Chief Executive Officer
Center for Consumer Information and Insurance Oversight
Centers for Medicare & Medicaid Services
7500 Security Blvd.
Baltimore, MD 21244

Re: Continued Reimbursement of Cost-Sharing-Reductions and Advance-Premium-Tax-Credits for Land of Lincoln Mutual Health Insurance Company

Dear Mr. Counihan,

Further to my letter of July 15, 2016, and your guidance issued that day concerning netting of payments and charges under 45 C.F.R. 156.1215, please consider this letter to supplement my request that CMS continue to reimburse Land of Lincoln Mutual Health Insurance Company ("LLH") for Cost-Sharing-Reductions and Advance-Premium-Tax-Credits owed to LLH for coverage provided through September 30, 2016, coinciding with the advance special enrollment period that CMS has established for LLH policyholders. Receipt of the foregoing reimbursements through the end of LLH coverage on September 30, 2016, is in the best interest of LLH policyholders, and will allow time to notify and assist LLH policyholders with their transition to new health insurance coverage.

Sincerely,



Anne Melissa Dowling
Acting Director of Insurance
State of Illinois

Cc: Matthew Lynch (Via E-mail)



Illinois Department of Insurance

BRUCE RAUNER
Governor

ANNE MELISSA DOWLING
Acting Director

Via Electronic Mail: Kevin.Counihan@cms.hhs.gov

July 26, 2016

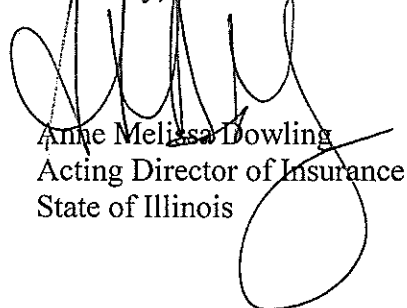
Kevin J. Counihan
Director and Marketplace Chief Executive Officer
Center for Consumer Information and Insurance Oversight
Centers for Medicare & Medicaid Services
7500 Security Blvd.
Baltimore, MD 21244

**Re: Land of Lincoln Mutual Health Insurance Company, In Rehabilitation
Reimbursement of Advance-Premium-Tax-Credits and Cost-Sharing-
Reductions**

Dear Mr. Counihan,

Further to my letters of July 15, 2016 and July 20, 2016, and pursuant to the email request dated July 21, 2016 from the Director of Insurance Programs, Matthew Lynch, please be advised that if the Centers for Medicare & Medicaid Services (CMS) nets Advance-Premium-Tax-Credits (APTC) and Cost-Sharing-Reductions (CSR) against Land of Lincoln Mutual Health Insurance Company's (LLH) Risk Adjustment Liability, which is currently suspended under my order of June 27, 2016, the Illinois Department of Insurance (IDOI) will be required to terminate Land of Lincoln's liability for coverage immediately in accordance with 215 ILCS 5/193(6). If CMS refrains from netting the APTC and CSR payments, LLH's financial condition, as well as the best interests of LLH enrollees and the Illinois market, will warrant continuing the coverage through the expiration of the LLH advance special enrollment period that has been established by CMS to run from August 2, 2016 through September 30, 2016.

Sincerely,



Anne Melissa Dowling
Acting Director of Insurance
State of Illinois

Cc: Matthew Lynch (Via E-mail)

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
Center for Consumer Information and Insurance Oversight
200 Independence Avenue SW
Washington, DC 20201



July 26, 2016

VIA ELECTRONIC MAIL: AnneMelissa.Dowling@illinois.gov

Commissioner Anne Melissa Dowling
Acting Director
Illinois Department of Insurance
122 S. Michigan Ave, 19th floor
Chicago, Illinois 60603

Dear Anne Melissa:

Thank you for your letters dated July 20, 2016 and July 26, 2016 regarding Land of Lincoln Mutual Health Insurance Company, HIOS ID 79763, requesting that CMS refrain from netting advance payments of premium tax credits and cost-sharing reductions against Land of Lincoln's risk adjustment charge.

CMS released guidance on July 15, 2016, *Netting of Payments and Charges under 45 CFR 156.1215*, available at: <https://www.cms.gov/CCIIO/Resources/Regulations-and-Guidance/Downloads/Netting-Guidance-7-15-16finalv2.pdf> stating that we would refrain from conducting such offsets if a State department of insurance notifies us that an issuer will be required to end coverage if advance payments are netted, but that if CMS refrains from netting, you would find continued coverage to be in the best interest of the enrollees or market, and would order coverage to continue. Your letters dated July 20, 2016 and July 26, 2016 provide CMS the sufficient notification under our guidance to refrain from netting Land of Lincoln Mutual Health Insurance Company's advance payments under 45 CFR 156.1215 starting with the August 2016 payment cycle.

We appreciate your continued work with CMS. If you have any questions, please contact me. Thank you for your attention.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin J. Counihan", is positioned above the typed name.

Kevin J. Counihan
Chief Executive Officer, Health Insurance Marketplaces
Director, Center for Consumer Information & Insurance Oversight

Cc: Andrew.Wille@Illinois.gov
KBaldwin@osdchi.com