Dear State Insurance Commissioner:

I am pleased to announce the opportunity for your state to apply for the first cycle of Health Insurance Premium Review Grants provided under the Affordable Care Act (ACA). The Act has made important changes that will improve the affordability and transparency of private health insurance in the United States. Specifically, the law calls for the annual state review of unreasonable increases in health insurance premiums. In addition, the law requires that health insurers submit to the states and HHS a justification for any unreasonable premium increase prior to implementing the increase. These provisions will help protect consumers from unjustified and/or excessive premium increases. These grants will help states improve and enhance their health insurance rate review systems. In combination with the authority the ACA provides to the Secretary and the states regarding medical loss ratios, they will enable states to provide additional oversight of health insurance companies and thus help ensure that consumers receive the value for their premium dollars that they deserve.

Congress appropriated $250 million for the rate review grant program for the federal fiscal years (FFYs) of 2010-2014. We plan to award this money during multiple award cycles beginning with this first cycle in FFY 2010. For this cycle, we are making available $1 million to each state that has a workable proposal. So that states may receive the grants quickly, applications are due July 7, 2010. I expect the grants to be awarded later this summer to assist states with their review activities this year.

All states are eligible for this first cycle of rate review grants (Cycle I). To apply, states will need to demonstrate that they will use grant funds to develop or enhance their current review process for health insurance premiums. My Department will issue regulations regarding the review of unreasonable premium increases and the determination of unjustified and/or excessive premium increases in the coming months. States will need to demonstrate compliance with these regulations in future grant applications. I anticipate that the announcement for the availability of the second cycle of grants will coincide with the release of these regulations, at the beginning of FFY 2011.

I hope your state will take advantage of this important opportunity and apply for this funding to assist with insurance premium review and reporting activities. You may find the grant solicitation at www.grants.gov, Catalog of Federal Domestic Assistance (CFDA) 93.511.

We look forward to a continued partnership with states to implement the important reforms to our health care system provided under the Affordable Care Act.

Sincerely,

/s/ Kathleen Sebelius

Kathleen Sebelius, Secretary
U.S. Department of Health & Human Services