C. Mary

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MAY 06 2010

MO. DEPT. OF INSURANCE
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION

May 4, 2010

ATT: Director John Huff
Missouri Department of Insurance
Financial Institutions and Professional Registration
PO Box 690
Jefferson City, MO 65102

Dear Sir:

I am writing to you as one of your constituents and a professional benefit specialist to urge you to support medical loss ratio definitions that take a broad and flexible view on the many health insurance activities which will serve to further the goals of health care reform.

Medical loss ratio (MLR) requirements created by the Patient Protection and Affordability Act (PPACA) should not discourage insurance companies from developing activities aimed at improving quality and containing costs, such as wellness programs, disease management, prevention, and health IT investments, all activities that some many consider administrative costs.

When drafting the definitions and methodologies associated with MLR, it is important that you and your fellow insurance commissioners aim to improve quality and affordability. The definition of clinical services and activities must be inclusive and comprehensive to allow insurance carriers to provide a wide spectrum of activities that contribute to better health outcomes for consumers. Activities by health insurance carriers, such as information sharing on quality providers and work to reduce medical errors, ultimately lead to better outcomes, higher quality, and lower premiums for all consumers.

Similarly, the well established role of agents and brokers in disseminating vital information and performing services which help to reduce costs and improve quality must also be taken into consideration.

The goal of PPACA was to provide affordable and quality health care to all Americans, and we must keep these goals in mind as we develop important MLR guidelines. It is important to spend time clearly defining clinical services and administrative costs to allow insurance carriers to provide an array of services that will improve the health of Americans and provide them the health care they deserve, effectively and efficiently. Insurance carriers have an important responsibility to American consumers, to not simply pay claims, but to provide services and systems that help keep them healthy and help keep their insurance affordable. I very much appreciate your efforts in carefully drafting MLR requirements that keep this responsibility in mind and do not hinder the efforts of health care reform.

Thank you for your consideration of this issue.

COPY

Sincerely,

Cheryl Brown

Cheryl Brown
Client Service Representative
Cox HealthPlans

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C. Mary

MAY 06 2010

MO. DEPT OF INSURANCE, FINANCIAL INSTITUTIONS & PROFESSIONAL REGISTRATION

J.W.TERRILL

May 5, 2010

Insurance, Benefits
& Risk Management

Suite 200
825 Maryville Centre Drive
Chesterfield, MO 63017

314-594-2700

www.jwterrill.com

Mr. John M. Huff
Director
Missouri Department of Insurance
301 West High Street
Suite 530
Jefferson City, Missouri 65101

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Sincerely,

Jerry Kluge
Vice President
J.W. Terrill

COPY

c Mary

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Thank you for your consideration of this issue.

Sincerely,

Dean Mandis
Executive Vice President

Corr.

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MAY 06 2010

MO. DEPT OF INSURANCE, FINANCIAL INSTITUTIONS & PROFESSIONAL REGISTRATION

c. Mary

J.W.TERRILL

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Thank you for your consideration of this issue.

Sincerely,

Lynda W. Baris

Lynda W. Baris
Executive Vice President

COPY

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MO. DEPT OF INSURANCE FINANCIAL INSTITUTIONS & PROFESSIONAL REGISTRATION

COPY

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Thank you for your consideration of this issue.

Paul W Long
The Paul Long Agency, LLC

530 S. Albany • P. O. Box 699 • Bolivar, MO 65613
Office: (417) 777-5664 • Fax: (417) 777-4545 • toll free: 1-866-406-5660 • Email: paul@thepaullongagency.com

5/3/2010

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MAY 10 2010

MO. DEPT OF INSURANCE FINANCIAL INSTITUTIONS & PROFESSIONAL REGISTRATION

Director John Huff,

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Cc Mary

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Thank you for your consideration of this issue.

Debbie Argo
Springfield, Mo.

COPY

MISSOURI CHAMBER
OF COMMERCE AND INDUSTRY

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JUN 11 2010

MO. DEPT OF INSURANCE, FINANCIAL INSTITUTIONS & PROFESSIONAL REGISTRATION

c: Mary

June 8, 2010

John M. Huff
State Director
Department of Insurance, Financial
Institutions & Professional Registration
Post Office Box 690
Jefferson City, Missouri 65102-0690

COPY

Subject: **Delay MLR Implementation**

Dear Mr. Huff:

I am writing on behalf of the state's largest business association, the Missouri Chamber of Commerce and Industry, and the more than 3,000 members we represent to urge you to delay implementation of the medical loss ratio (MLR) requirement that Congress established for health insurance plans as part of the "Patient Protection and Affordable Care Act".

The implementation of this requirement in 2011, before the new health insurance exchanges are established in 2014, will have an adverse affect on many health insurance plans in our state. These health insurance plans employ a significant number of people. As I'm sure you know, the Missouri health insurance market is quite competitive compared to other states. The plans doing business in Missouri work to provide our state's consumers with a wide array of choices and help promote competition in the health insurance marketplace.

Many Missouri health plans, large and small, rely on independent agents to sell their products. Many plans may find it extremely difficult to meet the new MLR requirement in 2011, 2012, and 2013. However, beginning in 2014, health insurance plans will be able to sell their products through the new health insurance exchanges and they will be in a better position to meet the MLS requirements. For this reason, we strongly urge you to lead an effort to delay the MLR requirement so it coincides with the implementation of the exchanges and insurance market reforms in 2014.

If you have any questions or would like to discuss further, please feel free to contact me at 573-634-3511. Thank you for considering our concerns on this issue. Your assistance in this matter is urgently needed to preserve jobs and avoid unintended economic consequences in our communities throughout Missouri.

Sincerely,

Daniel P. Mehan
President and CEO

428 East Capitol | P.O. Box 149 | Jefferson City, MO 65102-0149 | Phone: 573-634-3511 | Fax: 573-634-8855
www.mochamber.com

AmericanEnterprise
GROUP INC.

RECEIVED

Michael E. Abbott
President, Chief Executive Officer

Tel (515) 245-2152 Fax (515) 245-2305
601 6th Avenue, Des Moines, IA 50309
mike.abbott@americanenterprise.com

November 22, 2010

The Honorable John M. Huff
Director of Insurance
State of Missouri
Missouri Department of Insurance, Financial
Institutions and Professional Registration
PO Box 690
Jefferson City, MO 65102-0690

Dear Director Huff:

I am writing to discuss the consequence of imposing a medical loss ratio (MLR) prior to guaranteed issue and the availability of exchanges in 2014. Specifically, American Enterprise, on behalf of our insurance companies American Republic Insurance Company and World Insurance Company request that you apply for a waiver of this MLR requirement for your state as contemplated under the Patient Protection and Affordable Care Act (PPACA). If this requirement is imposed in 2011, we anticipate significant disruption to the individual health market and to our company—specifically the cessation of new business sales and the future existence of that line of business, resulting in disruption for our employees and customers.

As you know, an 80 percent loss ratio indicates the insurer is using the remaining 20 cents of each premium dollar to pay expenses that do not directly benefit policyholders, such as advertising, insurance operations, salaries and profits. Commissions for the specialized services agents provide to their clients are not considered to be an expense that directly benefits policyholders and, therefore, must also be paid out of that 20 cents. This is a critical issue for individual health insurance companies such as ours who market individual products through brokers and agents, and have commission contracts in place on existing business.

In addition, the new law stipulates the MLR is applicable to all existing individual health business, regardless of contract commitments already in place, rather than only on new business issued after the MLR effective date. We have offered rate guarantees up to three years on our products to give customers more predictability in their rates. On existing contracts with rate guarantees, there is no ability before the end of the guarantee period, to adjust the premium consistent with imposed processes and benefits. These factors make this issue even more serious for American Republic and World Insurance Company and our industry peers with these same types of commitments.

The imposition of the MLR requirement effective January 1, 2011, would be disastrous to many individual health insurance companies, their customers, and their employees. Some companies have already announced they are exiting the market; others are considering cancelling blocks of individual health business. Without relief more companies will be forced to follow, leaving individuals with pre-existing conditions without coverage until 2014 when guaranteed issue and the exchanges take effect. By deferring the effective date to 2014, insurance companies will have the opportunity to renegotiate commission contracts, adjust pricing, modify existing products to comply with the new laws and regulations, and generally prepare to compete in the new environment. And most importantly, it lessons the disruption to the public until the safety net is in place in 2014.

We would be happy to provide additional information about our analysis of the impact of this part of the legislation on our business. We would prefer a solution via federal regulation that would assist us across all our markets. However, without that we need your help to allow us to make the transition in Missouri to the new selling and business model that will be in place in 2014.

Sincerely,

Michael E. Abbott
President

MEA/meh

COPY

C: Mary

NAIFA

MISSOURI

National Association of Insurance and Financial Advisors - Missouri

722 E. Capitol Ave. • Jefferson City, MO 65101
573-634-5202 • Fax 573-634-5954 • lsmith@naifamo.org • www.naifamo.org

December 6, 2010

John Huff, Director
Missouri Department of Insurance
P.O. Box 690
Jefferson City, MO 65102

Dear Director Huff:

On behalf of the 1,100 members of the National Association of Insurance and Financial Advisors - Missouri we would like to express our sincere thanks for your support of our professional members by endorsing the essential role the agent plays in the decisions made by our many clients in regard to their health insurance needs. We have been informed of your support also to accommodate agent compensation arrangements in any Medical Loss Ratio regulation promulgated.

If you have any questions or would like access to any of our professional health insurance providing members please feel free to contact our state office. Our members would welcome the chance to assist in molding the future of the health insurance industry into a climate that is the very best for all Missourians.

The application for a waiver on implementing MLR immediately in Missouri would be a great step forward in meeting the need of Missourians for assistance from individuals licensed as producers. Attached please find our position for you to consider.

Again, your support of our industry and the role of the producer is very much appreciated.

Regards,

David Haymes
NAIFA-MO President

Potential MLR Adjustment for a State's Individual Market:

- A state insurance commissioner may submit to the Secretary a request for an MLR adjustment, lasting from one to three years, should the state demonstrate that a "reasonable likelihood" exists that the 80 percent MLR may destabilize its individual market.

- The state must provide the Secretary with information pertaining to its individual market, including the current MLR, requirements of issuers withdrawing from the market, consumer protections and coverage options available to consumers who lose coverage as a result of market exit, and data on remaining issuers. Should certain information be unavailable or unduly burdensome for the state to collect, the Secretary may waive certain requirements and, instead, request alternative supporting data or move forward with her determination.

- In assessing a request for adjustment to the MLR, the Secretary may consider a number of criteria, including: the number of issuers reasonably likely to exit the state or cease offering coverage absent an adjustment, and the number of enrollees covered by these issuers; alternate coverage options available to consumers within the state should an issuer exit the market; and the impact on premiums charged, and on benefits and cost-sharing provided, to consumers by issuers remaining in the market.

- The Secretary must provide a 10 day public comment period. A state may hold a public hearing and create an evidentiary record with respect to its application. The Secretary will make a determination, taking into consideration the evidentiary record if applicable, within 30 days of receiving the required information from a state, though she may extend the review period by an additional 30 days.

- A state whose request for an MLR adjustment has been denied may request a reconsideration of that determination. The Secretary will issue her determination within 20 days of receipt of the request.

Potential MLR Adjustment for a State's Small Group Market:

- The small business community is in much the same need as the individual market. However, the HHS regulation for State adjustment applies to the individual market only.

- Because the State adjustment applies to the individual market only, the HHS Secretary should invoke the "special circumstance" language (Section 2718(c) of the Public Health Services Act) which has already been interpreted to recognize the intrinsic differences between mini-meds and major medical coverage.

- Products marketed to smaller groups may incur higher administrative costs as a result of being specifically tailored to small employers, have higher employee turnover, and higher group turn-over, necessitate higher broker/agent fees because of more intensive outreach and marketing, and involve more customer support as it is unlikely that such small employers have free-standing HR and benefits departments.

Mengel, Surdyke
Murphy & Finke

Your Employee Benefits Specialist

C: Mary K

December 27, 2010

The Honorable John M. Huff, Director
Missouri Department of Insurance, Financial Institutions and Professional Development
301 West High Street – Room 530
Jefferson City, Missouri 65101

RECEIVED
JAN 03 2011
MO. DEPT OF INSURANCE, FINANCIAL INSTITUTIONS & PROFESSIONAL REGISTRATION

Dear Commissioner Huff,

On behalf of the Missouri Association of Health Underwriters (MOAHU), I am writing to formally request the State seek a waiver from the U.S. Department of Health and Human Services (HHS) on the implementation of the medical loss ratio (MLR) requirements in Missouri.

As you know, one of the provisions of the Affordable Care Act (ACA) requires health insurance carriers to comply with new MLRs that call for 80 percent of individual and small group and 85 percent of large group premium dollars be spent on medical care. The National Association of Insurance Commissioners (NAIC) was charged with the development of the calculation for MLRs in the individual and small group insurance market, specifically the definitions of administrative expenses and quality of care. Throughout its work developing the MLR definitions, the NAIC warned federal regulators that the final regulation would need to be adjusted to account for the impact the MLR requirements would have on insurance agents' involvement in the purchase and servicing of health insurance policies in the future. The NAIC did not believe it had the legal authority to act in this area, but indicated that unless HHS made an accommodation for agents' compensation for those services, the NAIC's MLR definitions alone would likely create substantial market disruption and limit consumers' access to professionally licensed and trained benefit specialists.

HHS released the Interim Final Rule on the MLR regulation on November 22. As currently written, the regulation is likely to diminish the role of agents and reduce the number of insurers willing to write health insurance in the individual and small-group markets. The result will be underserved consumers, reduced competition, and disruption of the state's insurance market.

In Missouri, insurance market destabilization has begun. The withdrawal of Mercy Health Plans as a result of its acquisition by GHP/Coventry and the outright departure of Principal Mutual from the Missouri marketplace translate into fewer choices for Missouri's citizens and its employers.

In addition, recent moves by Missouri's insurance carriers to re-evaluate change or eliminate agent/broker commissions means reduced opportunities for Missouri's individual and employer markets to find the necessary help, by an agent or broker, to find the most appropriate insurance. Most recently, Aetna, Group Health Plan and United Healthcare have announced their intent to remove or alter sales commissions from large employer group health insurance plans. Small group commissions are also being reduced, which will continue to shrink the number of qualified active agents or brokers available to assist the people of Missouri in finding insurance for them, their families and for their businesses.

A diminished role for insurance agents and brokers ultimately deprives consumers and employers of one of the greatest assets and trusted choices they have available. Agents and brokers help consumers find the right health plan that fits their needs, and also navigate the complex health care system. They advocate on consumers' behalf when problems arise, identify cost-saving opportunities and keep consumers informed of new products and changes to the industry that may impact them.

HHS has given states the authority to request a waiver on implementation of MLR. MOAHU, in coordination with our national organization NAHU, respectfully requests your consideration in seeking a MLR waiver and allow for producer commissions to be removed from the denominator of the calculation for individual and small group policies sold in Missouri. The regulation specifically states that the impact of the MLR standard on agents and brokers will be a factor in considering whether a particular individual market would be destabilized.

MOAHU appreciates your time and attention to this important aspect of Affordable Care Act implementation. Working together, we are confident that we can preserve the vital role of the agent/broker profession in our health care delivery system.

Sincerely,
Missouri Association of Health Underwriters (MOAHU)

Ken CLU, RHU, REBC

Kenneth L. Schmidt, CLU, RHU, REBC
President

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JAN 11 2011

MO. DEPT OF INSURANCE, FINANCIAL INSTITUTIONS & PROFESSIONAL REGISTRATION

SLAHU

St. Louis Association of Health Underwriters
Attn. Dave Drennan
1954 Sumter Ridge Court
Chesterfield, Missouri 63017
636/519-9300 • fax 636/519-1403
slahuoffice@aol.com

January 6, 2011

The Honorable John M. Huff
Missouri Department of Insurance
Harry S. Truman State Office Bldg
301 West High Street, Room 530
Jefferson City, MO 65101

C: Mary K

Dear Director Huff:

My name is Paul Lancia and I am the President of the Saint Louis Association of Health Underwriters (SLAHU). We are a long-standing association supporting the employee benefits industry. We have over 200 members who are primarily insurance brokers in the St. Louis and surrounding areas. Our membership employs over 10,000 people and they represent over 2,000 businesses providing benefits to over 100,000 members for their medical benefits needs.

We are writing to provide our thoughts on the Medical Loss Ratio (MLR) standards that became effective January 1st, 2011 as a result of the Patient Protection and Affordable Care Act (PPACA). Our concerns primarily surround the numerous negative consequences for Missouri consumers resulting from the MLR component of this very complex legislation. Specifically, this component of PPACA may result in insurance carriers exiting the insurance market, or possibly some insurance carriers discontinuing to sell new policies, and business owners losing an important resource for information if brokers are forced to leave the marketplace.

As I mentioned previously, our membership is comprised primarily of insurance brokers who represent business owners as well as consumers. Therefore, as brokers, our members are responsible for assisting business owners as well as consumers in purchasing a complex health insurance product. In addition to gathering information and data to assist in the decision making process, brokers manage the enrollment and underwriting process, communicate the actual benefit plan, how it works and how to effectively navigate the complex process necessary to obtain optimal care. In addition, brokers provide assistance with service needs, and often manage the ancillary services associated with the purchase of health insurance such as COBRA, Flexible Spending Arrangements (FSA's), Health Savings Accounts, (HSA's) etc. Over the last several years as Consumer Driven Health Plans (CDHP's) gained in popularity, brokers have also gotten into the wellness business and for many that has become part of their value proposition. Lastly, PPACA is a large and highly complex piece of legislation that will require extensive process and procedure changes for businesses and they will, as always, look to their licensed insurance broker for guidance.

As a result of health reform it is likely that millions of new entrants will emerge for the purchase of individual health insurance, possibly many will be making this decision for the first time as they become eligible for a subsidy or as a result of their employer dropping group coverage. Therefore, the role of the licensed and experienced broker will continue to be vital in order to have a smooth functioning marketplace.

The overall premium for individual insurance is much lower, on average, than for group insurance because you are only insuring 1 person; however, there are much higher front end expenses involved in pricing individual policies. For example, a typical schedule may have a 10 percent first year commission and a 5 percent renewal commission. Therefore, imposing an 80 percent MLR rule could result in 100 percent of the first year administrative and profit allowance consumed by the typical broker commission. This likely will result in a dramatically lower broker commission which means that many brokers will exit this market and consumers will no longer have access to valuable council via their trusted advisor.

If brokers exit the market then consumers will have to take it upon themselves to contact each insurer to obtain benefit and pricing information. Therefore, we encourage you to consider requesting a waiver to the MLR rule so that this law might be phased-in over time. This will allow brokers and insurance companies to adjust over a period of time, and will prevent a sudden loss of services for consumers.

In conclusion, we fear that implementing the medical loss requirements in the new reform legislation could have serious negative consequences for Missouri consumers.

Thank you for the opportunity to provide comments on this matter. If you have any questions about our position or need additional information please feel free to call me. My direct line is 636-534-2114.

Sincerely,

Paul Lancia

Paul Lancia
President
St. Louis Association of Health Underwriters

From: Tom Morrill [mailto:tom@morrillinsurancegroup.com]
Sent: Thursday, February 10, 2011 10:28 PM
To: Kempker, Mary
Subject: MLR

Dear Ms. Kempker,

I just was reading about the recent hearing regarding the MLR in the new federal healthcare act. I am an independent broker and sell for several carriers including Humana, United Healthcare (Golden Rule), Aetna, Blue Cross and Blue Shield, Coventry, and Assurant. I maintain a website that allows consumers to get 50+ free quotes from several carriers, compare plans, and apply for coverage. I talk to nearly every single one of these clients and help them choose a plan.

I want you to know that my first year commissions have been cut by 50%, starting January 1, 2011 and retroactive from mid-2010, from an average of 20% of non-risk adjusted premium to 10%.

After 20 years in mid-management for a large company that went bankrupt, I started my small health insurance agency 5 years ago. I sell about 100 new policies a year. I earn about $35,000 a year in gross commissions from individual health insurance. My pay is going to be cut dramatically. I am now taking steps to reduce the amount of individual health insurance I sell and focus on higher paying insurance. I'm sad about this but it is necessary.

I think the MLR requirement will force other small brokers out of the business. The only ones that can afford to sell a policy with only a 8-10% first year commission and 4% or 5% ongoing commission are large call centers with dozens of hourly agents that really don't know the business.

I know my clients value my assistance.

Best Regards,

Tom

Tom Morrill
Morrill Insurance Group
Kansas City, MO 64153
Small Group and Individual
Health, Life, Disability and Long Term Care
816-891-7771 Office

THE MORRILL INSURANCE GROUP

"The Right Insurance Plan is Just a Click Away!"

www.MorrillInsuranceGroup.com

COX HEALTHPLANS
CoxHealth

MLR DISCUSSION

Collection of documents provided by
Jeff Bond, C.E.O., Cox HealthPlans

MLR Discussion

Letter from the Texas Department of Insurance to the Secretary of Health & Human Services

Texas Department of Insurance
Commissioner of Insurance, Mail Code 113-1C
333 Guadalupe • P. O. Box 149104, Austin, Texas 78714-9104
512-463-6464 telephone • 512-475-2005 fax • www.tdi.state.tx.us

December 7, 2010

The Honorable Kathleen Sebelius, Secretary
U.S. Department of Health & Human Services
200 Independence Avenue, SW
Washington, D.C. 20201

RE: Medical Loss Ratio Transition Period

Dear Secretary Sebelius:

As you prepare to implement the interim final regulation relating to the Medical Loss Ratio (MLR) provisions of the Patient Protection and Affordable Care Act (PPACA), I would like to take this opportunity to thank you for taking the needs of the individual market into consideration by incorporating into the interim regulation a process for temporarily adjusting the required MLR. I would also like to urge you to reconsider allowing for a broader phase in period than is contemplated in the interim regulation that would enable a smooth transition into the new regulatory market, and doing so on a national scale.

Phasing in MLR requirements for the individual market will minimize some of the unintended destabilizations that might result from an abrupt shift in a volatile market. However, the individual market does not exist in a vacuum. Failing to address other areas of the insurance market that will be impacted by the new MLR requirements could still lead to destabilization of the individual market. The experience and expertise with respect to insurance of employers in the small group market and individuals, along with the number of insureds, are very similar. Those similarities are acknowledged by PPACA, which even contemplates the possible merger of the two markets in the Exchange system.

Allowing for a broader transition period that not only contemplates the impact on the individual market, but also on the small group market would allow companies to adapt their expense structure and better position the market for success after 2014. Not permitting a broad enough transition will hobble the companies that serve both markets, ultimately destabilizing the individual market. This is especially important to take into consideration given the goals of PPACA concerning assurance of consumer choice through Exchanges.

I believe that the U.S. Department of Health and Human Services has authority to implement a broader transition than is addressed in the interim regulation. The Public Health Service Act (PHSA) Section 2718(b)(1)(A)(ii) provides an MLR of 80 percent for both the small group and individual market, addressing them together, and notes that "the Secretary may adjust such percentage with respect to a State if the Secretary determines that the application of such 80 percent may destabilize the individual market." This provision requires the Secretary to focus on the individual market in watching for destabilization, but it does not limit the Secretary in determining which market the 80 percent can be adjusted for if there is a risk to the individual market. Therefore, the Secretary is given broad authority to adjust the MLR for both the small group and individual market if such adjustment is necessary to avoid the risk of destabilization in the individual market. Had Congress intended to limit the ability of the Secretary to protect the individual market, it could easily have addressed the MLR for the small group and individual markets separately or expressly limited the Secretary to only adjusting the MLR for the individual market. Instead, as drafted, the PHSA Section 2718(b)(1)(A)(ii) appears to acknowledge the interconnectedness of the two markets and gives the Secretary the ability to protect the individual market from destabilization that can result from this interconnectedness.

Additionally, while the interim regulation only contemplates adjusting the MLR on a state-by-state basis, I urge you to give further consideration to applying a national phase in of the MLR requirements. In limiting the MLR adjustment process to individual states, the preamble of the interim regulation focuses on the language in the PHSA Section 2718(b)(1)(A)(ii) that permits the Secretary to "adjust such percentage with respect to a State." The interpretation of this specific provision is accurate in this respect, however such analysis ignores the additional authority given the Secretary by Congress. The PHSA Section 2718(d) states that "The Secretary may adjust the rates described in subsection (b) if the Secretary determines appropriate on account of the volatility of the individual market due to the establishment of State Exchanges." This provision does not restrict the Secretary to adjusting the rates only for individual states, so it is not necessary that such a restriction be built into the regulation. Since the establishment of Exchanges will be a nationwide process, the Secretary should consider the volatility of the individual market in the nation as a whole and should not be limited to addressing that volatility only on a state-by-state basis.

In accordance with the reading of the PHSA Section 2718 addressed above, I request that you consider implementing a phased in MLR requirement to apply to both individual and small group health insurance, and to apply this transition on a nationwide basis over a six year period. I propose a transition that would begin with individual and small group carriers achieving 75 percent of the full 80 percent MLR requirement, incrementally working toward achieving 100 percent of the full 80 percent requirement by 2016, according to the following schedule:

Plan Year	Percent of MLR Goal Achieved
2011	75%
2012	80%
2013	85%
2014	90%
2015	95%
2016	100%

Implementation of the above transitional loss ratios would:

- minimize potential destabilization in the individual market;
- maintain adequate participation by health insurance issuers in all markets;
- preserve continued competition in the health insurance market;
- provide value for consumers; and
- protect consumer choice.

As noted above, I envision this as a nationwide approach. However, this request to allow a phased in transition of the MLR requirement for both the group and individual market is specifically necessary for Texas.

The Texas health insurance market is unique. Unlike some states served by a small number of issuers, the Texas individual, small group and large group market consists of a total of 132 domestic and foreign issuers, including an appreciable number of smaller issuers. However, Texas is an expansive state with a broad range of regional and population variations that do not have uniform opportunities for choice in coverage overall. Additionally, PHSA Section 2718 assumes the existence of new infrastructure and market regulations that will not be in place when the MLR is initially implemented. The transitional nature of significant market reforms in PPACA necessitates clear steps to ensure a similar transition period for the MLR requirement that does not cause instability and disruption in the marketplace.

we use 70% >

Individual Market Implications
In Texas, individual coverage is provided on an underwritten, guaranteed renewable basis. Plans are typically priced on a lifetime loss ratio basis targeting 55 to 60 percent. The significant shift from a lifetime loss ratio to applying an annual 80 percent MLR standard could result in market destabilization. Some of the potential implications include:

- Some issuers may remain in the market but lack an effective distribution channel due to their need to significantly lower their distribution costs to meet the 80 percent MLR standard.

- Many insurance agents and brokers could discontinue selling individual health insurance if issuers materially decrease agent compensation for that product. This could inhibit consumers' access to the individual market in the years prior to the introduction of insurance Exchanges and limit the availability of people with knowledge about health insurance to assist consumers once Exchanges are implemented.

- Other issuers may decide that it is more advantageous for their long-term solvency to stop selling individual comprehensive medical insurance products, and may move to issuing short-term, limited duration coverage or hospital indemnity or other fixed indemnity insurance, which are not subject to the requirements of PPACA. While these products may appear more reasonably priced to consumers, ultimately they will not benefit consumers needing comprehensive coverage.

- To the extent that issuers withdraw from their currently in-force business, it may be difficult for their former policyholders to find new individual coverage in the transition period prior to 2014. Those with pre-existing conditions will not have access to the federal Pre-existing Condition Insurance Plan and, under Texas law, would have to pay 200 percent of the standard market rate to participate in the Texas Health Pool.

- In addition, in the current market environment where issuers are not offering child-only policies and where family policies are being rated up if children under 19 are included, currently insured consumers may become uninsured.

Small Group Market Implications
The same threat of market destabilization exists for smaller issuers in the small employer market. The risk characteristics, administrative costs and even acquisition costs of business for employer groups with a very small number of employees are similar to related costs in the individual market. Smaller issuers may find their claim costs, expenses and rebates during the next few years substantially higher than anticipated premiums. This may erode solvency stability for some carriers. In addition, insurance investors may require that these issuers withdraw from unprofitable business. This could result in:

- a loss of issuers marketing small group health products;
- decreased or lost consumer access to comparable product offerings due to the reduction or elimination of marketing channels;
- the possibility of material change to or withdrawal from existing coverage; and
- the potential for increased volatility in premium rates.

In addition, special circumstances surround the operating expenses of smaller issuers. These circumstances impact these issuers' ability to meet the MLR requirement initially, including:

- Smaller issuers have ~~substantially higher operating expenses and acquisition costs.~~ Maintaining an MLR formula that ignores these higher costs and imposes rebate requirements without reference to the overall profitability of the business and without time for adjustments may result in smaller issuers being forced out of the market.

- Issuers must spread fixed costs associated with obtaining and maintaining business over the number of policies in force. For smaller issuers, this means that fixed expenses are a higher percentage of premium revenue per policy than is the case for larger issuers. Many of these issuers also have contracts in place with agents and brokers for business already on their books and cannot unilaterally change those contracts. This puts smaller issuers at an extreme disadvantage relative to large issuers with respect to meeting the MLR thresholds.

Legal Analysis of Statutes
There is a two step inquiry that is followed in determining whether a federal agency's interpretation of a statute is valid.[1] First is the question of whether Congress has directly decided the precise question at issue; and second is the question of whether the agency's interpretation of the statute is reasonable.[2]

In this instance, Congress has not directly decided the question at issue, which is "What approach should the U.S. Department of Health and Human Services take to address the impact of the new medical loss ratio requirements on the group and individual market, including the impact on agents and brokers that serve that market and consumers who receive their health coverage through that market?" Congress clearly leaves it to the U.S. Department of Health and Human Services to address this issue. Specifically, the PPACA provides:

- That the Secretary may adjust the percentage with respect to a State if the Secretary determines that application of the 80 percent medical loss ratio may destabilize the individual market in the State; and
- That the Secretary may adjust the medical loss ratio if the secretary determines appropriate on account of the volatility of the individual market due to the establishment of State Exchanges.

To make a reasonable interpretation of a statute, it is necessary to read the law as a whole and avoid a construction of the law that would lead to absurd results. This is a longstanding canon of construction applied by courts in interpreting statutes, and has also been referred to as a newly emerging canon in regulatory law.[3] Based on this principle, in addition to looking at the provision that requires adoption of medical loss ratio requirements, the U.S. Department of Health and Human Services should consider the statutory requirements concerning State Exchanges. In addition, it is a longstanding tenet to harmonize statutes to prevent unintended consequences. Such harmonization will, in this case, not only to prevent market disruption, but also to ensure the success of the State Exchange.

The Employee Retirement Income Security Act (ERISA) became law in 1974. While Congress primarily sought to remedy improper funding by employers of retirement (pension) benefits when it passed ERISA, Congress also allowed employers to standardize welfare benefit plans (primarily health benefits) for their employees. Large employers can very easily add mere cents in pretax payroll deductions to each of their employees in their large risk pool in order to properly fund additional employees, or consultants, whose primary duty is to design, implement, and pay for welfare benefit plans. Such employees and consultants have garnered a great deal of expertise in employment benefit law that is simply not available to the small/individual market at the same cost per employee. Since small employers and individuals generally have fewer

[1] Chevron, U.S.A., Inc. v. Natural Resources Defense Council, Inc., 467 U.S. 837 (1984).
[2] *Id.*
[3] Cass R. Sunstein, Avoiding Absurdity? A New Canon in Regulatory Law, 32 ENVTL. L. REP. 11,126 (2002).

employees, or consultants, available to them, they have a greater reliance on agents and brokers to guide them.

One section in the PPACA addressing Exchanges, Section 1312, relating to "Consumer Choice," clearly needs to be taken into consideration in adopting medical loss ratio requirements. Subsection (e) of this section addresses enrollment through agents or brokers, and it calls for the Secretary of the U.S. Department of Health and Human Services to establish procedures under which a state may allow agents or brokers to enroll individuals and employers in qualified health plans as soon as those plans are offered through an exchange and to assist individuals in applying for premium tax credits and cost-sharing reductions for plans sold through an exchange. However, if *knowledgeable and experienced* agents and brokers are driven out of the market now due to the adoption of an inflexible MLR methodology in the small employer market, they will not be around to fulfill their role of serving small employers or individuals in the Exchange system as envisioned by the PPACA.

Thank you for your consideration. I look forward to continuing this discussion with you and am available to answer any questions you may have. In addition to this letter, the Texas Department of Insurance anticipates submitting written comments on the interim final regulations.

Sincerely,

Mike Geeslin
Commissioner of Insurance

MLR Discussion

Letter from the Secretary of Health & Human Services to the Texas Department of Insurance

THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

February 24, 2011

COMMISSIONER
OF INSURANCE

Received

MAR 0 2 2011

Life, Health & Licensing

Mr. Mike Geeslin
Commissioner of Insurance
Texas Department of Insurance
333 Guadalupe, P.O. Box 149104
Austin, Texas 78714-9104

Dear Commissioner Geeslin:

Thank you for your comments in support of a medical loss ratio (MLR) transition period – both nationally, and in particular, for the State of Texas. I appreciate your concern about the potential for destabilization in the individual and small group markets pending the implementation of the new MLR requirements.

Consistent with the National Association of Insurance Commissioners (NAIC) recommendations, the MLR interim final regulation released on November 22, 2010 (the "MLR regulation"), establishes a process for states to request an adjustment to the individual market MLR for up to three years, which we believe would allow for an effective state-based transition period. In order to qualify for this adjustment, a state must demonstrate that requiring issuers in its individual market to meet the 80 percent MLR is likely to destabilize the individual market and could result in fewer choices for consumers. This adjustment enables insurance commissioners like you to work with the Department of Health & Human Services (HHS) to prevent disruption for consumers as the MLR standard is implemented.

The MLR regulation outlines the process HHS will use when evaluating requests from states or territories to adjust the statutory MLR standard. Consistent with the criteria the NAIC suggested to HHS in an October 13, 2010 letter, HHS will evaluate states' requests using information that states provide, such as the potential impact on issuer solvency, the potential loss of carriers marketing products in the state, and the impact on consumers and competition, among other factors. Judicious application of the MLR adjustment only after a comprehensive evaluation should preserve continued market stability.

I understand from your comments that Texas has a unique insurance market structure that you believe requires a transition period for the MLR requirements for both the small group and individual markets. The MLR regulation does not contain provisions relating to potential adjustments to the MLR standard for a state's small group market. In order for HHS to determine whether the MLR regulation permits an adjustment of the MLR standard in Texas' individual market, the State must formally submit the required information detailed in the MLR regulation. Following the receipt of this information, HHS will review the material pursuant to the MLR regulation.

Thank you for contacting me with your concerns. Please let me know if you have any further questions. I look forward to working with Texas as we continue to implement the provisions of the Affordable Care Act.

Sincerely,

Kathleen Sebelius

Kathleen Sebelius

MLR Discussion

Texas Department of Insurance
Data Call Instructions document

Data Call Instructions

Potential Medical Loss Ratio (MLR) Adjustment

The Data Call for Potential MLR Adjustments is an opportunity for Texas health benefit plan issuers to demonstrate the need for an adjustment to MLR requirement. In order for Texas to apply for an MLR adjustment, it is vital that issuers provide the requested data promptly and accurately. If Texas is unable to gather high quality data within the time provided, Texas may not be able to apply for an adjustment to the MLR requirement.

Applicable Issuers

Issuers offering individual or small group health benefit plans in Texas that are subject to the requirements of the Patient Protection and Affordable Care Act (PPACA) should respond to this data call.

Reporting Period

January 1, 2010 – December 31, 2010

Due Date

May 4, 2011

Definitions

Individual – Means individual health insurance but excludes short-term limited duration insurance, association plans, and excepted benefits as defined under 42 USC §300gg-91(c).

Small Group – Means a health benefit plan maintained by an employer who employs 2 – 50 eligible employees; excludes association health plans and excepted benefits as defined under 42 USC §300gg-91(c).

Association – Has the meaning contained in Chapter 21, Subchapter S, §§ 21.702(1) and (2) of the Texas Administrative Code.

Consolidated Business – Means all lines of insurance business. For Nationwide, this will be the number provided in the supplement to your Annual Statement.

Resources

- Commissioner Geeslin's 12/3/10 letter to Secretary Sebelius and Sebelius' 2/24/11 response: http://www.tdi.state.tx.us/health/datacall.html
- Compilation of PPACA: http://docs.house.gov/energycommerce/ppacacon.pdf
- 45 CFR Part 158: http://edocket.access.gpo.gov/2010/pdf/2010-29596.pdf and corrections to the interim final rule: http://www.gpo.gov/fdsys/pkg/FR-2010-12-30/pdf/2010-32526.pdf
- Bulletin: http://tdi.state.tx.us/bulletins/index.html
- Email Contact: LIFEHEALTH@tdi.state.tx.us

Data Entry Instructions

Data will be collected using an interactive PDF form that is available on the Texas Department of Insurance (TDI) website under the designation "Data for Potential MLR Adjustments". This interactive PDF form contains form fields that company representatives must complete on-screen. All responses must be submitted using this prescribed PDF form, per the Data Submission Instructions on page 7.

Please carefully review the following information, in order to correctly complete the form:

1. Download the form described as "Data for Potential MLR Adjustments" and open the form using Adobe Reader. Companies must use Adobe Reader 9.0 or higher to enter data into this form.
2. If your company offers both insurance and HMO plans, please respond by preparing two separate forms, one for insurance business and one for HMO business.
3. All companies must complete the "Company Information" and "Respondent Information" sections at the top of the form. With regard to the tables, please complete all fields that are applicable for your company. The applicability of fields is determined by your answers to the screening questions. The form may not be submitted if applicable fields are left blank.
4. Select the Hand tool or use the tab key to navigate between form fields.
5. The form fields are pre-formatted and the correct formatting will appear when you tab to the next field. The following examples demonstrate the correct data entry format.
   - **Number fields** should be entered without any formatting as follows:
     - 1,500 lives should be entered as **1500**
   - **Currency fields** should be rounded to the nearest dollar and they should be entered without any formatting as follows:
     - An earned premium of $325,640,557.15 should be entered as **325640557**
     - A net loss of -$205,374.85 should be entered as **-205375**
   - **Percentage fields** should be rounded to the nearest one tenth of one percent, and they should be entered without any formatting as follows:
     - A loss ratio of 70.48 percent should be entered as **0.705**
6. Refer to the Definitions provided above and 45 CFR Part 158.

Screening Questions

If your answers to question A and question B are BOTH "No," this completes your survey. Submit your survey via the "Press Here to E-mail" at the bottom of page 2 of the form, per the Data Submission Instructions on page 7 of this document.

A. If you answered "Yes" to question A, you must provide all data requested in Table 1, Columns A, D, E and H; if applicable, please also provide data requested in Table 1, Columns C and G. In Table 2, please provide the data requested which concerns the individual market, including any applicable association data.

B. If you answered "Yes" to question B, you must provide all data requested in Table 1, Columns B, D, F and H; if applicable, please also provide data requested in Table 1, Columns C and G. In Table 2, please provide the data requested which concerns the small group market.

Data Elements for the MLR Adjustment Data Call

Table 1 – Individual, Small Group and Association Health Benefit Plans

(1) Total Earned Premium
Provide the total earned premium, as defined under §153.130 of 45 CFR Part 158, for the market indicated in each column.
Column A – Individual health insurance in Texas
Column B – Small group health benefit plans in Texas
Column C – Association health plans in Texas
Column E – Individual health insurance Nationwide
Column F – Small group health benefit plans Nationwide
Column G – Association health plans Nationwide

(2) Actual Loss Ratio
Provide the loss ratio, as calculated for the Annual Statement, for the market indicated in each column.
Column A – Individual health insurance in Texas
Column B – Small group health benefit plans in Texas
Column C – Association health plans in Texas
Column E – Individual health insurance Nationwide
Column F – Small group health benefit plans Nationwide
Column G – Association health plans Nationwide

(3a) Estimate of the PPACA MLR, Without Any Applicable Credibility Adjustment
Provide the MLR for the market indicated in each column, as defined under §158.221 of 45 CFR Part 158. The MLR is the ratio of the Numerator (incurred claims plus the issuer's expenditures for activities that improve quality) to the Denominator (premium revenue minus federal and state taxes and licensing and regulatory fees).
Column A – Individual health insurance in Texas
Column B – Small group health benefit plans in Texas
Column C – Association health plans in Texas
Column E – Individual health insurance Nationwide
Column F – Small group health benefit plans Nationwide
Column G – Association health plans Nationwide

(3b) Any Credibility Adjustment Applicable for Estimated PPACA MLR
If applicable, provide the credibility adjustment to the MLR for the market indicated in each column, as calculated under §158.232 of 45 CFR Part 158. The credibility adjustment is applicable only to issuers with partially credible experience, as defined under §158.230 and §158.231 of 45 CFR Part 158. If no credibility adjustment is applicable, fill in zero.
Column A – Individual health insurance in Texas
Column B – Small group health benefit plans in Texas
Column C – Association health plans in Texas
Column E – Individual health insurance Nationwide
Column F – Small group health benefit plans Nationwide
Column G – Association health plans Nationwide

(3c) Estimated PPACA MLR Including Any Applicable Credibility Adjustment
Provide the MLR for the market indicated in each column, after applying any applicable credibility adjustment, per row 3b. Instructions for calculating the MLR and associated adjustment are located in §158.221 through §158.232 of 45 CFR Part 158.
Column A – Individual health insurance in Texas
Column B – Small group health benefit plans in Texas
Column C – Association health plans in Texas
Column E – Individual health insurance Nationwide
Column F – Small group health benefit plans Nationwide
Column G – Association health plans Nationwide

(4) Total Commissions
Provide the total agents' and brokers' commission expenses for the market indicated in each column.
Column A – Individual health insurance in Texas
Column B – Small group health benefit plans in Texas
Column C – Association health plans in Texas
Column E – Individual health insurance Nationwide
Column F – Small group health benefit plans Nationwide
Column G – Association health plans Nationwide

(5) Estimated Rebate for the PPACA MLR
Provide an estimate of the total rebate that would be due to enrollees for the market indicated in each column, based on the Estimated PPACA MLR Including Any Applicable Credibility Adjustment provided for Row 3c, using data from the 2010 reporting period.
Column A – Individual health insurance in Texas
Column B – Small group health benefit plans in Texas
Column C – Association health plans in Texas

(6) Net Underwriting Profit
Provide the net underwriting profit for the market indicated in each column, as calculated for the Annual Statement.
Column A – Individual health insurance in Texas
Column B – Small group health benefit plans in Texas
Column C – Association health plans in Texas
Column D – Consolidated business in Texas
Column E – Individual health insurance Nationwide
Column F – Small group health benefit plans Nationwide
Column G – Association health plans Nationwide
Column H – Consolidated business Nationwide

(7) After-tax Profit

Provide the after-tax profit for the market indicated in each column, as calculated for the Annual Statement.

Column A – Individual health insurance in Texas
Column B – Small group health benefit plans in Texas
Column C – Association health plans in Texas
Column D – Consolidated business in Texas
Column E – Individual health insurance Nationwide
Column F – Small group health benefit plans Nationwide
Column G – Association health plans Nationwide
Column H – Consolidated business Nationwide

(8) After-tax Profit Margin

Provide the after-tax profit margin for the market indicated in each column, as calculated for the Annual Statement.

Column A – Individual health insurance in Texas
Column B – Small group health benefit plans in Texas
Column C – Association health plans in Texas
Column D – Consolidated business in Texas
Column E – Individual health insurance Nationwide
Column F – Small group health benefit plans Nationwide
Column G – Association health plans Nationwide
Column H – Consolidated business Nationwide

(9) Intends to Exit Market?

Select Yes, No, or Uncertain for the market indicated in each column.

Column A – Individual health insurance in Texas
Column B – Small group health benefit plans in Texas

(10) Risk-based Capital Level (RBC)

Provide the risk-based capital (RBC) level for your company.

Column H – Consolidated business Nationwide

(11) Recommended Adjusted MLR – 2011

Provide a recommended minimum MLR for 2011 for the market indicated in each column. This recommended adjustment to the MLR should be justified within supporting documentation to be enclosed in an attached document.

Column A – Individual health insurance in Texas
Column B – Small group health benefit plans in Texas
Column C – Association health plans in Texas
Column E – Individual health insurance Nationwide
Column F – Small group health benefit plans Nationwide
Column G – Association health plans Nationwide

(12) Recommended Adjusted MLR – 2012

Provide a recommended MLR for 2012 for the market indicated in each column. This recommended adjustment to the MLR should be justified within supporting documentation to be enclosed in an attached document.

Column A – Individual health insurance in Texas
Column B – Small group health benefit plans in Texas
Column C – Association health plans in Texas
Column E – Individual health insurance Nationwide
Column F – Small group health benefit plans Nationwide
Column G – Association health plans Nationwide

(13) Recommended Adjusted MLR - 2013

Provide a recommended MLR for 2013 for the market indicated in each column. This recommended adjustment to the MLR should be justified within supporting documentation to be enclosed in an attached document.

Column A – Individual health insurance in Texas
Column B – Small group health benefit plans in Texas
Column C – Association health plans in Texas
Column E – Individual health insurance Nationwide
Column F – Small group health benefit plans Nationwide
Column G – Association health plans Nationwide

(14) Use Agents to Market your Products?

Select Yes or No for the market indicated in each column.

Column A – Individual health insurance in Texas
Column B – Small group health benefit plans in Texas
Column C – Association health plans in Texas

(15) Are your Agents Exclusive or Contract?

Select Exclusive or Contract for the market indicated in each column.

Column A – Individual health insurance in Texas
Column B – Small group health benefit plans in Texas
Column C – Association health plans in Texas

Table 2 – Covered Lives in Texas and Policy Form Numbers for Popular Plans

Table 2, Number of Lives

Provide the total number of lives covered in each 3-digit zip code for the market indicated in each column. For this table, please combine individual and association data. Nationwide totals should include the Texas market. All covered family members (employee or enrollee, spouse and all dependents) must be included in these calculations. Enter "0" for any 3-digit zip codes in which there are no covered lives.

Table 2, Popular Approved Form

Provide the TDI approved policy form number for the most popular plan in each 3-digit zip code in the market indicated in each column. For this table, please combine individual and association data. The most popular plan is the plan with the most covered lives in each 3-digit zip code. For any 3-digit zip code in which there are no covered lives, a popular approved policy form number is not required.

Data Submission Instructions

After you have filled in the PDF form as described above, print the form for your records by clicking either File - > Print or by clicking the printer icon. Please note that you will not be able to save the completed form. Then, submit the file to TDI in XML format as follows:

1. If you are using a **desktop email application**, open your applicable email application before attempting to submit the form. Then, click the "Press Here to E-mail" button located at the bottom of the form. A new email message with an XML file attachment should appear. The message should be sent to MLRAdjData@tdi.state.tx.us, and the subject of the message should read "Data Call for Potential MLR Adjustments" followed by your company's NAIC number.

2. If you are using an **internet-based email application** (i.e. Gmail, Hotmail, etc.), the *Select Email Client* dialog box will appear after you click the "Press Here to E-mail" button located at the bottom of the form. Select the "Internet Email" option, and then click *OK*. Save the survey file as an XML file using the default filename (mlradj_data.xml). Then, open your internet-based email application and attach the XML file to your email. Address the message to MLRAdjData@tdi.state.tx.us, and enter "Data Call for Potential MLR Adjustments" as the subject of the message. Please include your company's name and NAIC number in the body of the message.

As stated previously, you will not be able to submit form mlradj_data.xml if you have not completed all required fields. If you leave one or more required fields blank, you will receive an error message and a red border will appear around the data element(s) that must be completed. Once all such data elements are completed, you may try to submit your data again using the "Press Here to E-mail" button on the form.

To ensure that your data is complete and harvested accurately by TDI, we will only accept surveys returned in XML format. Any survey returned in a different format, including scanned PDF files, will not be accepted.

All questions concerning the Data Call for Potential MLR Adjustments should be sent via email to LIFEHEALTH@tdi.state.tx.us.

RECEIVED

MAY 18 2011

MO. DEPT OF INSURANCE, FINANCIAL INSTITUTIONS & PROFESSIONAL REGISTRATION

May 16, 2011

COPY

Director – Mr. John Huff
PO Box 690
Jefferson City, MO 65102-0690

c: Mary K.

Dear Sir:

Please consider my request to add a waiver of the MLR Requirement to require insurance companies to pay out 80% of their premiums in claims. It very simply will not work and will force insurance companies out of the individual health marketplace for many reasons. I list just a few for your consideration.

1. Lower first year loss ratios serve to balance the mature risk in such a way that the whole block of business maintains a positive margin allowing the carriers to stay in business.
2. Fewer individual carriers competing will increase the cost to all consumers. Supply and demand without competition always means higher product price.
3. MLR will force companies to substantially lower or eliminate commissions that will force agents out of the business. There are currently about 950,000 licensed life and health agents that pay taxes, salaries to staff, rent office space, pay their vendors (computer support, office supplies and on and on). This will result in more lost jobs to their employees. My firm employs 34 people with over $1,000,000 in salaries alone! This death spiral will impact the overall economy and create no new jobs!
4. Insurance is sold and not bought. We need agents to sell the reasons people need the coverage and want our knowledge of the right product at the right price for them as individuals. They also want someone to service the products after the sale. If this were not true, people would be lined up outside our door each morning waiting for us to unlock our door. I have been in business for 41 years and this has never happened! We have to call on them and sell the reasons for the need they don't always want to acknowledge.
5. Missouri currently has a law that mandates citizens to buy car insurance and at least 15% of the people with a driver's license do not have coverage.

I could go on and on but I know you are busy. For the future of your state and country please realize that Federal Government doesn't have the right answers and has only added to the problems every time they involve themselves in issues that should be handled by each state for its citizens.

FINANCIAL ASSOCIATES

11030 OAKMONT OVERLAND PARK, KANSAS 66210 913-491-5200 FAX 913-491-5204

It is imperative that you not be concerned with what is currently proposed but more importantly what is right for the future of the free enterprise system. Socialism has never been a long term success and only ends up making the citizens poorer and ends in failure to deliver on the promises made by people who think they have all the answers but don't really understand the problems. Personal responsibility is the answer and if there are people that can't or won't accept that, they should have to pay the price for failure - not everyone that is trying to do what's right for themselves and their families.

Thanking you in advance for your consideration.

Respectfully,

Charles T. Stumpf

Charles T. Stumpf

FINANCIAL ASSOCIATES

11030 OAKMONT OVERLAND PARK, KANSAS 66210 913-491-5200 FAX 913-491-5204

Reed Financial Group

Roger H. Reed II
Broker

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COPY

c: Mary

May 16, 2011

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MAY 17 2011
MO. DEPT. OF INSURANCE, FINANCIAL INSTITUTIONS & PROFESSIONAL REGISTRATION

Director John Huff
MO Department of Insurance
PO Box 690
Jefferson City, MO 65102-0690

I wanted to let you know of my concern for the potential disruption in the individual medical insurance markets if we do not have a waiver of the MLR rules because it won't be a matter of if it happens but when it happens. Historically insurance companies have closed underwriting pools to adjust risk and premiums have increased dramatically.

Thank you for your time.

Best regards,

Roger H Reed, II
Missouri Insurance Agent

LET FREEDOM RING

PROMOTING CONSTITUTIONAL GOVERNMENT, ECONOMIC FREEDOM & TRADITIONAL VALUES

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MAY 23 2011

MO. DEPT OF INSURANCE, FINANCIAL INSTITUTIONS & PROFESSIONAL REGISTRATION

May 19, 2011

Mr. John Huff
P.O. Box 690
Jefferson City, MO 65102-0690

Dear Mr. Huff,

The health care overhaul contains two harmful provisions from which you have the ability seek recourse for businesses and individuals in your state. More specifically, states can apply for waivers from the law's annual limit restrictions and medical loss ratio requirement.

The former provision renders illegal health plans that impose a coverage limit of $750,000 a year. While well-intended in that we all desire individuals to receive necessary care, it produces the unintended consequence of kicking several million Americans who have so called "mini-med" plans with such limits off this coverage. Oftentimes limited coverage is all that your state's employers can afford to offer employees, and certainly some coverage is better than no coverage.

Thus far, five states have received waivers from the annual limit restrictions and we respectfully urge you to apply for this waiver to protect your citizens from its harm.

The latter provision mandates that health plans spend 80-85% of premiums on medical claims. While well-intended in terms of seeking to maximize the amount of care your citizens' receive, it produces the unintended consequence of limiting health care options. Due to its effect of squeezing insurers' profits, a few have already exited the marketplace and many more are expected to leave in the years ahead. Further, it deteriorates, and may effectively eliminate, consumer-driven health plans where the majority of dollars are directly spent by the policy holder rather than the insurer.

Thus far, three states have received a waiver from the medical loss ratio requirement and we respectfully urge you apply for this waiver to protect your citizens from its harm.

Whether or not you support the health care overhaul as a whole, applying for waivers from these provisions is a common-sense step that every Governor should take. We look forward to working with you in the years ahead to make America's health care system more accessible and affordable.

Sincerely,

Colin A. Hanna
President, Let Freedom Ring

Grover Norquist
President, Americans for Tax Reform

Jim Martin
President, 60 Plus Association

Heather Higgins
President, Independent Women's Voice

Tom McClusky
Senior Vice President, Family Research Council Action

Dr. Jane Orient
President, Association of American Physicians and Surgeons

Zach Howell
President, College Republican National Committee

Matt Smith
Vice President, Catholic Advocate

Seton Motley
President, Less Government

William Shaker
President, American Council for Health Care Reform

Amy Ridenour
President, National Center for Public Policy Research

Morton C. Blackwell
Chairman, The Weyrich Lunch

Fred Smith
President, Competitive Enterprise Institute

Shari Rendall
Director of Public Policy, Concerned Women for America PAC

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JUN 06 2011

MO. DEPT OF INSURANCE, FINANCIAL INSTITUTIONS & PROFESSIONAL REGISTRATION

Missouri Association of Health Underwriters (MOAHU)
Kenneth L. Schmidt, CLU, RHU, REBC, President
1332 Hunters Hollow Court
Eureka, Missouri 63025-1051
636-938-1190
314-576-7918 fax
kenjamin1@sbcglobal.net

June 1, 2011

C: Mary K

The Honorable John M. Huff, Director
Missouri Department of Insurance, Financial Institutions and Professional Development
301 West High Street – Room 530
Jefferson City, Missouri 65101

Dear Commissioner Huff,

On behalf of the Missouri Association of Health Underwriters (MOAHU), I am sending this second formal request that the State seek a waiver from the U.S. Department of Health and Human Services (HHS) on the implementation of the medical loss ratio (MLR) requirements contained in the new federal health reform law.

As you know, one of the provisions of the Affordable Care Act (ACA) required health insurance carriers to comply with new rules regarding administration costs on January 1, 2011. Such rule requires that carriers spend no more than twenty percent (20%) in the individual and small group markets, and fifteen percent (15%) in the large group market.

The National Association of Insurance Commissioners (NAIC) warned early on that this sort of inflexible formula would destabilize the health insurance marketplace, and it has recently resurrected its efforts in an attempted revision of the rule that HHS promulgated. One of the key reasons for NAIC's actions is that carriers began cutting agent commissions effective 1-1-11. This will force many agents/brokers to close up shop, which translates into far fewer knowledgeable coverage experts to assist a much larger segment of the population and in an environment that is much more complicated.

Although the NAIC warned federal regulators that the final regulation would need adjustment to account for the impact the MLR requirements would have on insurance agents, they could not enforce that opinion due to lack of legal authority on the issue. Regardless, NAIC made it very clear on many occasions that failure to fix the formula would cause substantial market disruption and would limit consumers' access to professionally licensed and trained benefit specialists.

As you know, in Missouri, insurance market destabilization has begun. The withdrawal of Mercy Health Plans as a result of its acquisition by GHP/Coventry and the takeover of Guardian's & Principal Mutual's group medical business by United Healthcare translates into fewer choices for Missouri's citizens and its employers.

In addition, recent moves by Missouri's insurance carriers to re-evaluate, change or eliminate agent/broker commissions means reduced opportunities for Missouri's individual and employer markets to find the necessary help, by an agent/broker, in finding the most appropriate insurance. Most recently, Aetna, Group Health Plan and United Healthcare announced their intent to remove or lower sales commissions from large employer group health insurance plans. Small group commissions are also being reduced, which will continue to shrink the number of qualified active agents/brokers available to assist the people of Missouri in finding insurance for them, their families and their businesses.

The destabilization is depriving consumers and employers of a crucial asset; there is diminished availability of educated and trusted agents/brokers to help consumers find coverage that works for their budgets and also for their coverage needs. In addition, agents and brokers take care of the consumers after they are enrolled in a health plan: they solve any problems that arise and they continue to identify cost-saving opportunities. A final and extremely important function to be discussed in this letter is that agents and brokers are constantly educating new and existing clients about changes to the industry, the laws, and the products that will impact them.

HHS has given states the authority to request a waiver on implementation of MLR. To date, HHS has approved and issued three waivers to states, and there are ten more state waiver requests pending at HHS. **MOAHU** respectfully requests that you also apply for such waiver which will have the positive result of maintaining a large component of Missouri's workforce and maintaining the agent/broker function for the benefit of our citizens.

MOAHU appreciates your time and attention to this critical aspect of Affordable Care Act implementation. Working together, we are confident that we can preserve the vital role of the agent/broker profession in our health care delivery system. I am attaching a recent NAHU (our national organization) survey which clearly demonstrates the negative impact ACA is having on our workforce and consumers. I look forward to discussing this with you at your earliest opportunity.

Sincerely,

Missouri Association of Health Underwriters (MOAHU)

Ken

Kenneth L. Schmidt, CLU, RHU, REBC

John -

I strongly urge you to devote department resources to making a determination to the disruption potential to Missourians covered by individual health insurance via the ACA MLR requirements. Best -

Jeff