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Statement  
Of  
Anthem Blue Cross and Blue Shield  
On

**SB 46 An Act Concerning Transparency of Medical Loss Ratio Information**

Good afternoon Senator Crisco, Representative Fontana and members of the Insurance Committee, my name is Christine Cappiello and I am the Director of Government Relations for Anthem Blue Cross and Blue Shield in Connecticut. I am on here to speak on **SB 46 An Act Concerning Transparency of Medical Loss Ratio Information**.

We are against this bill because we believe that consumers having this information will only serve to confuse them rather than help them and this bill will create an anti-competitive nature among insurance carriers. Medical Loss Ratio (MLR) is a metric that bears little relationship to the quality of a health insurance product should and not be used by consumers as an indicator of value. In the words of U.C. Berkeley professor and *Health Affairs* editor James Robinson, "the medical loss ratio is an accounting monstrosity that entralls the unsophisticated observer and distorts the policy discourse."

As mentioned previously we believe this bill has 2 major problems. **(1) An MLR reported by product will be extremely confusing to consumers.** While an MLR should not be used in the first place as an indicator of the value of a health insurance product, it is especially misleading on a product-by-product basis. This is because small pools are less stable than large pools and insurers will often pool risk between and cross-subsidize the medical risk. Thus, in any given year, one product may experience a high MLR while another product experiences a low MLR. Such variances will be much more confusing than valuable to consumers. **(2) The release of proprietary information will have a negative, anti-competitive impact.** Connecticut has a very robust health insurance marketplace, with each competitor seeking to differentiate themselves in innovative ways that make them more attractive to customers. Such a competitive marketplace is good for consumers and healthy for the state. The MLR by product is possibly considered to be the most proprietary metric from a competitive perspective, and thus releasing this data will have a significant anticompetitive impact. Such a requirement is akin to requiring an automobile company to report how much it costs to manufacture each type of vehicle in its fleet. The result is that there will be a reduced incentive to be successful, and private companies will seek to mimic their competitors' high-profit successes instead of working to differentiate themselves in innovative ways.

There are many misconceptions regarding exactly what costs fall under the category of administrative expenses. It is important to understand that health insurance plan's administrative expenses, under most definitions reflect costs for claims processing; disease management and care coordination; information technology and patient services; establishment of provider networks; product development and sales; consumer education and outreach; as well as taxes, fees, and profit.

We ask that the committee respectfully not move forward with this legislation and I am available to answer any questions you might have.