

Testimony of
The Connecticut Society of Eye Physicians
Connecticut ENT Society
Connecticut Dermatology and Dermatologic Surgery Society
Connecticut Urology Society

Before the Insurance and Real Estate Committee

On March 1, 2012

S.B. No. 204 (RAISED) AN ACT CONCERNING THE STATE MEDICAL LOSS RATIO.

The Medical Loss Ratio Rule and why we need to codify this into Connecticut Statute

Good Afternoon Senator Crisco, Representative Megna and other distinguished members of the Insurance and Real Estate Committee. My name is Dr. Mahesh Bhaya. I am a board certified otolaryngologist and I am here along with my colleague Dr. Steven Levine representing over 1000 physicians in the above stated specialties in **SUPPORT of SB 204 An Act Concerning the State Medical Loss Ratio or language that will achieve our three goals in any other pieces of legislation being considered by this committee.** I am specifically here to add to Dr. Levine's testimony and provide some additional data for review by this committee in helping to craft such legislation moving forward.

(1) We specifically ask your support on establishing an 82% limitation on Medical Loss Ratios (hereinafter "MLR")

In June 2010, New York Gov. David Paterson signed into law a bill that reinstated the New York State Insurance Department's authority to review and approve health insurance premium increases before they take effect and added a medical loss ratio that insurers must meet. The New York law raised MLRs to 82% and contained provisions to ensure that a specified percentage of premiums are returned to consumers in the form of benefits. In fact, \$ 114.5 million was rebated back to NY consumers from insurers who failed to meet the 82% MLRs limits. Health and Human Services Secretary Kathleen Sebelius called the New York action "a bold move to hold insurance companies accountable and prevent the kind of unreasonable rate increases that have made health insurance unaffordable for many American families."

According to Families USA, without this requirement, insurers can charge very high premiums to individuals and small businesses, and spend a startlingly low proportion of these premium dollars on health care services. Families USA has found that insurers in the individual market sometimes maintain medical loss ratios of only 60 percent, retaining 40 percent of premium dollars for administration, marketing, and profit. It was also determined that standardized definitions were necessary for proper evaluation of MLR.[1]

Although Connecticut reports Medical Loss Ratios by Carriers in the Consumer Report Cards – the definitions for reporting are not consistent with the NAIC standard definitions.

(2) We strongly support codifying the national accepted definitions for administrative and medical expenses in determining Medical Loss Ratios established by the National Association of Insurance Commissioners (hereinafter "NAIC")

Historically the components of the medical loss ratio are derived from internal accounting statistics developed by insurance companies to measure what fraction of premium revenues are paid out in claims (losses). State insurance departments, including CT, have gradually required insurers to file loss ratios as part of their documentation of solvency and, in regulated contexts, documentation for rate increases.[2] The NAIC has sought to standardize the often inconsistent accounting practices and definition of terms (for example, what counts as an administrative expense).[3] The available data on medical loss ratios, which are collected from state agencies, suffer from the inconsistent nature of the underlying insurer reports, the limits of auditing standards, and the incomplete adoption of

NAIC guidelines.[4] And finally public access is difficult and time-consuming as a result of the information not being centralized or available in an electronic format.[5]

(3) We are asking to establish meaningful penalties for noncompliance.

Insurance commissioners in every State have a responsibility to protect the interests of the general public, policyholders, and enrollees within their respective States. The NAIC report submitted to the HHS on October 27, 2010 was approved unanimously by representatives from every State and the District of Columbia and is the product of months of public hearings and consultation with consumers, employers, insurers, and other stakeholders. The NAIC has a long history of developing these types of rules through a transparent process with stakeholder input, and this process was no exception. [6]

The regulation generally requires health insurance companies to report to the HHS Secretary by June 1 of each year. The first report, containing calendar year 2011 data, will be due in 2012, which gives insurers adequate time to make necessary reporting adjustments. Insurers will be required to make the first round of rebates to consumers by August 2012 based on their 2011 medical loss ratio. Under the regulation, expatriate and mini-med plans that report separately will be required to report data to the Secretary on an accelerated basis. [7]

The Affordable Care Act gives the Secretary direct enforcement authority for the medical loss ratio requirements. However, HHS recognizes States' capacity to assist in enforcement and will accept the findings of a State audit of MLR compliance if they are based on the medical loss ratio requirements set forth in federal law and regulations. [8] The regulations also require insurers to retain documentation that relates to the data they reported and to provide access to those data and their facilities to HHS, so compliance with reporting and rebate requirements can be verified. [9]

Finally, the regulation imposes civil monetary penalties if an insurer fails to comply with the reporting and rebate requirements set forth in the regulation. It also details the criteria and process for determining whether and in what amount such penalties should be imposed. Although the law allows HHS to develop separate monetary penalties for medical loss ratio non-compliance, HHS has adopted the HIPAA penalties in this regulation. The regulation's penalty for each violation is \$100 per entity, per day, per individual affected by the violation. [10]

Connecticut needs to insure these deadlines are met and that we codify into Connecticut Statutes the penalties outlined in the Affordable Health care Act.

Please support S.B. No. 204 AN ACT CONCERNING THE STATE MEDICAL LOSS RATIO which will pass medical savings onto the consumer, mandate insurers to refrain from spending money on non-medical related costs, and preserve these savings even if the political climate changes in Washington.

Thank you.

1. Families USA. (2008, June). Medical loss ratios: Evidence from the States (Health Policy Memo). Retrieved December 24, 2008 from <http://www.familiesusa.org/assets/pdfs/medical-loss-ratio.pdf>
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3. Ibid
4. Medicallossratio.com.(n.d.). What is medical loss ratio (MRL). Chandler, AZ. Retrieved December 24, 2008 from <http://medicallossratio.net/test.aspx>
5. Robinson, J.C. (1997, July/August). Use and abuse of the medical loss ratio to measure health plan performance: This accounting tool was never intended to measure quality or efficiency. Health Affairs 16(4), 176-187. Retrieved December 24, 2008 from
6. <http://www.healthcare.gov/news/factsheets/2010/11/medical-loss-ratio.html>
7. Ibid.
8. Ibid.
9. Ibid.
10. Ibid

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- Families USA.(2008, June). Medical loss ratios: Evidence from the states (Health Policy Memo). Retrieved December 24, 2008 from <http://www.familiesusa.org/assets/pdfs/medical-loss-ratio.pdf>
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- New <http://www.hpc.state.nm.us/documents/2009%20Medical%20Loss%20Ratio%20Briefing%20Paper.pdf>

2010 Medical Loss Ratio By Carrier

Carrier Name	Type of Managed Care Plan	2010 Loss Ratio
Aetna Health, Inc. of CT	HMO	77.60%
Aetna Life Insurance Company	Indemnity	77.50%
American Republic Insurance Company	Indemnity	101.87%
Arden Blue Cross & Blue Shield of CT, Inc.	HMO	83.10%
Arden Blue Cross & Blue Shield of CT, Inc.	Indemnity	83.50%
Catholic Insurance Company	Indemnity	66.00%
CIGNA HealthCare of CT, Inc.	HMO	91.00%
ConnecticutCare Insurance Co. Inc.	Indemnity	73.50%
ConnectCare, Inc.	HMO	73.50%
Connecticut General Life Insurance Company	Indemnity	85.00%
Golden Rule Insurance Company	Indemnity	61.50%
Guardian Life Insurance Company of America	Indemnity	74.43%
Health Net Life Insurance Co.	Indemnity	87.60%
Health Net of Connecticut, Inc.	HMO	87.50%
John Aben Life Insurance Company	Indemnity	91.47%
Oxford Health Insurance, Inc.	Indemnity	73.40%
Oxford Health Plans (CT), Inc.	HMO	81.90%
Time Insurance Company	Indemnity	63.35%
Trustmark Insurance Company	Indemnity	-19.80%
Trustmark Life Insurance Company	Indemnity	752.46%
United HealthCare Insurance Company	Indemnity	85.00%

2009 Medical Loss Ratio By Carrier

Carrier Name	Type of Managed Care Plan	2009 Loss Ratio
Aetna Health, Inc. of CT	HMO	87.50%
Anthem Blue Cross & Blue Shield of CT, Inc.	HMO	87.90%
CIGNA HealthCare of CT, Inc.	HMO	93.00%
ConnectiCare, Inc.	HMO	89.40%
Health Net of Connecticut, Inc.	HMO	86.30%
Oxford Health Plans (CT), Inc.	HMO	83.83%
Aetna Life Insurance Company	Indemnity	81.75%
American Republic Insurance Company	Indemnity	57.09%
Anthem Blue Cross & Blue Shield of CT, Inc.	Indemnity	87.50%
Cohic Insurance Company	Indemnity	55.00%
ConnectiCare Insurance Company Inc.	Indemnity	92.10%
Connecticut General Life Insurance Company	Indemnity	81.10%
Golden Rule Insurance Company	Indemnity	70.40%
Guardian Life Insurance Company of America	Indemnity	64.46%
Health Net Life Insurance Company	Indemnity	88.60%
John Alden Life Insurance Company	Indemnity	93.53%
Orford Health Insurance, Inc.	Indemnity	85.80%
Time Insurance Company	Indemnity	83.00%
Trustmark Insurance Company	Indemnity	117.30%
Trustmark Life Insurance Company	Indemnity	117.44%
UnitedHealthCare Insurance Company	Indemnity	82.74%

2008 Medical Loss Ratio By Carrier

Carrier Name	Type of Managed Care Plan	2008 Loss Ratio
Aetna Health, Inc. of CT	HMO	82.80%
Anthem Blue Cross & Blue Shield of CT, Inc.	HMO	85.09%
CIGNA HealthCare of CT, Inc.	HMO	85.50%
ConnectiCare, Inc.	HMO	85.80%
Health Net of Connecticut, Inc.	HMO	81.90%
Oxford Health Plans (CT), Inc.	HMO	81.48%
Aetna Life Insurance Company	Indemnity	82.10%
Alta Health & Life Insurance Company	Indemnity	4.00%
American Republic Insurance Company	Indemnity	144.21%
Anthem Blue Cross & Blue Shield of CT, Inc.	Indemnity	85.14%
Celtic Insurance Company	Indemnity	53.00%
ConnectiCare Insurance Company Inc.	Indemnity	88.30%
Connecticut General Life Insurance Company	Indemnity	82.50%
Golden Rule Insurance Company	Indemnity	74.20%
Guardian Life Insurance Company of America	Indemnity	74.12%
Health Net Life Insurance Company	Indemnity	85.80%
John Allen Life Insurance Company	Indemnity	63.31%
Oxford Health Insurance, Inc.	Indemnity	83.10%
Time Insurance Company	Indemnity	67.45%
Trustmark Insurance Company	Indemnity	281.00%
Trustmark Life Insurance Company	Indemnity	98.20%
Union Security Insurance Company	Indemnity	75.00%
United HealthCare Insurance Company	Indemnity	83.50%