April 20, 2012

To: Steve Ostlund, Chair HATF Subgroup on Medical Loss Ratios

Re: Comments on IRD14-008

America’s Health Insurance Plans (AHIP) appreciates the opportunity to provide these comments as our support for the issues discussed in IRD14-008. AHIP is the nation’s trade association representing member companies providing health, long-term care, dental, disability and supplemental coverage to more than 200 million Americans.

IRD14-008 raises the question of whether the cumulative credibility approach to be used for 2013 should be extended if the cumulative number of lives is less than required for full credibility. Federal law requires the use of three year averaging for business that is fully credible, so the focus of the IRD is on “smaller plans.”

The existing 2011-2013 MLR reporting correctly reflects any rebates paid or accrued for 2011 and 2012, to avoid repaying in 2012 or 2013 amounts already paid for those prior years. The 2014+ reporting must continue that treatment for at least those two years (2011 and 2012), for the same reason. If blocks of business were to be made subject to variable accumulation periods based on credibility, a similar but more complicated approach would have to be applied to additional experience years that might be used in successive calculations involving the averaging of differing numbers of years. This appears to add complexity (not all of a company’s cells would need the same periods) while using data that may no longer be relevant.

Based on member companies’ review and feedback, we support continuing with the current three year averaging, even on smaller plans or smaller blocks of business.

Sincerely,

William C. Weller
Consultant to AHIP

c/c: Eric King, NAIC staff to HATF
Candy Gallaher, AHIP