



June 2, 2010

Subject: ACHP Comments on Blanks Proposal

Dear Mr. Felice and Mr. Sells:

The Alliance of Community Health Plans, whose members are community-based and regional health plans that are not-for-profit organizations or subsidiaries of not-for-profit health systems, appreciates the opportunity to submit additional comments on the Medical Loss Ratio (MLR) Blanks Proposal dated May 27, 2010.

Community Benefit Expenditures (currently Line 1.7 Instructions)

ACHP has previously submitted comments on the issue of community benefit expenditures that are incurred by tax-exempt entities. The 5/27 Blanks Proposal included recognition of these expenses as part of the instructions for Line 1.7. We believe the language is unnecessarily limiting and also should be moved to another line.

The IRS has defined a set of community benefit activities for purposes of reporting expenditures by tax-exempt entities on IRS Form 990. We suggest that the NAIC should reference the IRS definition as the appropriate description for purposes of the MLR calculation. Accordingly, we recommend the following change to the language in the 5/27 draft (new language in red and underscored):

Include: Payments for community benefit expenditures as defined by the IRS in Schedule H of Form 990, allocated by Health Premiums Earned ~~in lieu of premium tax but limited to the state premium tax rate.~~

Also, because community benefit expenditures derive from requirements of federal tax law, we believe that the subtraction for community benefit more properly belongs in the instructions for Line 1.5 rather than Line 1.7. If the subtraction for community benefit remains on one of the lines for taxes and assessments paid to the state, Line 1.6 for state and local insurance taxes and assessments would be more broadly applicable placement than Line 1.7 for state and local premium taxes.

Line 1.6 – State and Local Insurance Taxes and Assessments

We would like to reiterate a recommendation made earlier, that the last line in the instructions for Line 1.7 (on p. 7 of the 5/27 draft) which currently reads "State income taxes other than premium taxes" should be modified as follows:

State and local income, excise, and business taxes other than premium taxes.

State and local jurisdictions may impose excise and business taxes on gross receipts from engaging in business activities within the jurisdiction, separate from income taxes. The language providing for subtraction of taxes from premium revenue should be broad enough to capture all of the taxes, assessments, and fees that health plans are required by states and other authorities to pay.

Thank you for your consideration of our recommendations. We greatly appreciate the open process by which NAIC has proceeded to develop its proposal. Please let me know if you have any questions.

Howard Shapiro | Director, Public Policy | Alliance of Community Health Plans
Ph: 202-785-2247 | Fax: 202-785-4060 | Email: hshapiro@achp.org