

*Conference Call*

**HEALTH REFORM SOLVENCY IMPACT (E) SUBGROUP**

**Thursday, June 17, 2010**

**10:00 a.m. – 11:30 a.m. Central Time**

**Summary Report**

The Health Reform Solvency Impact (E) Subgroup met via conference call June 17. Prior to the conference call, comments were collected on the draft blanks proposal for a new Health Care Exhibit supplemental filing. During the conference call, the Subgroup focused on the non-QI (health care quality improvement expenses) as summarized in the Excel spreadsheet titled, “Exposure Comments Summary June 17 call.”

1. The Subgroup adopted the June 15 version of the blanks proposal, as amended by supported comments below, for referral to the Blanks (E) Working Group to perform a technical (non-substantive) review as directed by the Financial Condition (E) Committee on its June 15 conference call. The Subgroup will continue to work on substantive issues and deliver a final blanks proposal, incorporating any comments from the Blanks (E) Working Group, to the Financial Condition (E) Committee by July 7.

Comment disposition for “All Other” (than Quality Improvement) Comments (17 comments received):

- Comment 1 was a blank line by error.
- Comments 2, 4, 5, 6, 7, 8, 9, 14 and 18 were not supported.
- Comments 11 and 12 were corrected in the June 15 released version of the blanks proposal.
- Comment 3 was partially supported; “in lieu of premium tax” was deleted, and industry representatives will provide proposed language in the event federal income tax is allowed as a deduction from premium for MLR purposes.
- Comment 10 was supported and assigned to NAIC staff.
- Comments 13, 15 and 16 were supported.
- Comment 17 was asked to be brought up during the QI discussion and also forwarded for consideration by the actuaries working on the final MLR recommendation document. However, it was noted that it is clear that loss adjustment expenses (LAE) are excluded from the MLR calculation.

Ad hoc discussion items occurred as follows:

- A question was raised regarding what taxes will be deducted from premiums, including whether they would include sales tax, property tax and payroll tax. The chair of the Subgroup indicated that this question is still pending guidance from U.S. Department of Health and Human Services (HHS).
  - A comment was made suggesting the need to distinguish between the MLR referenced in the federal Patient Protection and Affordable Care Act (PPACA) and this blanks proposal (with adjustments to premium and inclusion of QI expenses as well as claims) and the public’s perception of an MLR (the amount of premiums used to pay health care costs). The chair of the Subgroup suggested that the purpose of the MLR and the supplemental Health Care Exhibit could be included in the final MLR recommendation document being developed by the NAIC’s actuarial groups.
2. Discussion of a “track changes” document with proposed QI instructions changes submitted by several industry groups resulted in some accepted changes.
    - “Improving Health Care Quality Expenses – General Definition” now reads: “Quality Improvement (QI) expenses are expenses, other than those billed or allocated by a provider for care delivery (i.e., clinical or claims costs), for health services for individual enrollees or specified segments of enrollees that are designed to increase the likelihood of desired health outcomes, and that are grouped in evidence-based medicine, widely accepted best clinical practice, or criteria issued by recognized professional medical associations, accreditation bodies, government agencies or other nationally recognized health care quality organizations. They should not be designed primarily to control or contain cost.”
    - Related to the above change, the paragraph titled “QI Standards” was deleted and the language regarding “individual enrollees or specified segments of enrollees” has been incorporated into the “Other expenses” instructions for Columns 1 through 4. Industry representatives will provide proposed language to address wellness programs while still tying the expenses to enrollees.
  3. Future calls will occur:
    - Tuesday, June 22, from 1:30 – 3 p.m. CT to address remaining QI comments.
    - Thursday, June 24, from 1 – 3 p.m. CT to explain changes made to the draft blanks proposal as a result of addressing comments and re-expose the draft.