



28 June 2010

Mr. Jake Garn
Chair
Blanks Working Group
c/- Utah Insurance Department
State Office Building, Suite 3110
Salt Lake City, Utah 84114-6901

RE: Blanks Exposure

Dear Mr. Garn:

We write on behalf of America's Health Insurance Plans (AHIP), the nation's trade association representing nearly 1300 member companies providing health, long-term care, dental, disability and supplemental coverages to more than 200 million Americans. AHIP appreciates the opportunity to provide comments on the Supplemental Health Care Exhibit that was recently exposed for comment.

The following comments are based on the exposed version of the healthcare supplement that includes the Fraud Detection Expense lines. We support the alternative proposal, as it reflects the Fraud and Abuse Detection/Recovery Expenses which we believe should be included in the supplement as a part of the numerator for the medical loss ratio (MLR). Given that the Health Solvency work group continues to work on issues regarding definitions of quality, we include here only those comments relating to the structure and process for filing the supplement document.

We note that the current proposal has a filing date of April 1 for the healthcare supplement. It is our understanding that rebates will be calculated based on data available as of a later date in order to permit appropriate claims development within the medical loss ratio, with the expectation that rebate calculations will reflect pooling of large claims, and that there will be formula adjustments for partial credibility. We understand that the healthcare supplement includes the language "Not for Rebate Payment" in the heading. However, we are concerned that both the media and the public will develop false expectations about the potential for rebate payments based on this preliminary, and incorrect, information. This will create a perception problem for both state insurance departments and the companies, when incorrect data is placed in the public domain. There is no reason that the supplement must be filed on April 1, other than the fact that all other supplements are filed on that date. No critical work or analysis can be performed on the numbers reported on a state-specific basis if the forms are required by April 1. We recommend that the healthcare supplement be filed to coincide with the calculation of the rebates and avoid a public relations nightmare for companies and regulators.

We have some suggested changes to Parts 1 and 2 of the supplement. In Part 1, we believe that lines 1.10 and 1.11 which are both related to reinsurance should have "XXX" in all columns except column 7 (total of columns 1 through 6). Reinsurance is not captured by state but by legal entity. In addition, reinsurance is not included in the calculation of the MLR rebate so it is not needed in columns 1 through 6. We make the same comment with regards to Part 1 lines 5.1 and 5.2 and Part 2 lines 1.9 to 1.12 and 2.11 to 2.14.

Line 8.1 of Part 1 should have "and Fraud and Abuse Detection expenses in line 4" added at the end.

There are three lines which should be added to section 10 to reflect reinsurance activity:

1. Line 10.6 – Reinsurance assumed expense allowance including premium tax allowance.
2. Line 10.7 – Reinsurance ceded expense allowance including premium tax allowance.

3. Line 10.8 – General and administrative expenses net of reinsurance (Line 10.5+10.6-10.7).

Line 11 of Part 1 (Underwriting Gain) includes Incurred Claims after reinsurance (line 5.7) but utilizes Premiums Earned before reinsurance (line 1.9). It would seem more appropriate that both premiums and losses should be based on an after reinsurance number. We recommend that line 1.13 be used rather than line 1.9, that line 4 be included as a subtraction and that line 10.8 rather than 10.5 (per the above change) be used.

We thank you for the opportunity to provide input and look forward to discussing these issues with you further. If you have any questions or comments please call any of the undersigned.

Sincerely
Bill Weller
Omega Squared, Inc.
(623) 780-0260
omegasquared@msn.com

Max McGee
Max McGee Consulting, LLC
(201) 213-2376
Mmcgee1961@optonline.net

Cc:
Randi Reichel, Counsel, Mitchell Williams
Candy Gallaher, AHIP