



**Group Health Cooperative**  
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[www.ghc.org](http://www.ghc.org)

May 13, 2010

Mr. Lou Felice  
Chair, Health Solvency Issues (E) Subgroup  
c/o New York Department of Insurance  
25 Beaver Street  
New York, New York 10004-2319

**Re: Premium Component of Loss Ratio Calculations for Integrated Healthcare Delivery Systems**

Dear Mr. Felice,

I have been in contact with Kaiser Permanente - another Integrated Healthcare Delivery System - following its letter to you dated May 11, 2010. In consultation with Kaiser, I am addressing their original Recommendation III on reporting premium revenue for the purpose of calculating loss ratios. I am offering the following recommendations based on the NAIC's instructions to the Statement of Revenue and Expenses, "Lines 9 through 13 should be reported...net of applicable coordination of benefits, deductibles, co-payments, risk share and provider discounts."

For an Integrated Healthcare Delivery System (as well as for traditional fee-for-service insurance carriers), the revenue received from non-premium sources (e.g., patient cost-shares) should be reported as an offset to claims expense in its statutory reporting. As such, it should not be reported in the premium denominator of the loss ratio calculations. This would allow both the statutory reporting and the loss ratio calculations of the Health Plan in its role as an insurance carrier to be consistent with traditional fee-for-service insurance carriers.

I believe this approach treats Integrated Healthcare Delivery Systems consistently with traditional fee-for-service insurances. Through an email exchange with Kaiser Permanente, I understand they support this recommendation.

We would appreciate any comment you may have. If you have any questions or concerns, please contact me at [pederson.ja@ghc.org](mailto:pederson.ja@ghc.org) or (206) 448-2135.

Regards,

Jim Pederson, ASA, MAAA  
Pricing Actuary

c: Todd Sells, NAIC  
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