

May 17, 2010

VIA EMAIL tsells@naic.org

Lou Felice
Chair, Health Care Reform Solvency Impact Subgroup

Steven Ostlund
Chair, Accident & Health Working Group

RE: Application of Medical Loss Ratio Requirements to Specialty Plans
Categorization of Network Access Fees as Expenses for Health Improvements

Dear, Mr. Felice and Mr. Ostlund:

The National Association of Specialty Health Organizations (NASHO) is a national membership organization founded in 2003 to enhance and promote the value proposition of specialty health. NASHO member organizations provide services to over 175 million Americans. Specialty health organizations include health plans and provider networks that facilitate and support the delivery of healthcare services that include dental, vision, hearing, pharmacy benefit management, behavioral health, chiropractic, complementary care, physical therapy, radiology management, allied specialty care and other specialized services.

Our priorities are that as reform legislation is implemented at the state and federal levels:

- Specialty health services are recognized as essential to the health and wellbeing of the American public.
- Specialty health organizations are recognized as unique organizations as compared to full service health plans, offering standalone services and are offered the opportunity to compete fairly to provide services and access to the Americans public.

NASHO's understanding is that specialty health plans or non-comprehensive limited benefits Plans are not subject to the requirements spelled out in the Patient Protection and Affordable Care Act as they do not meet the definitions for "Group health plans" offering "medical care" as defined in USC§ 300gg-91. If that is the intent, then we ask for regulatory clarification and that NAIC should urge HHS to make clear that MLR requirements do not apply to non-comprehensive limited benefit plans.

It is also our position that it is vital that the health improvement aspects of network development and management are recognized as part of medical loss ratios. The percentage of network fees that can be documented and verified by insurers pertaining to network quality standards with

respect to accreditation standards, state network adequacy requirements, medical/case management and specialty provider standards should be considered as expenses improving health care quality in any medical loss ratio.

The majority of full service and specialty PPO networks are non-risk and do not assume the financial risk for an enrollee's medical costs. The network's primary focus is to contract with providers in a geographical area to form an interconnected, efficient, and quality network of providers and services that are marketed to payers, insurers and Third Party Administrators (TPAs).

Network development is very costly because of the quality components that are inherent to the process. Therefore, many insurers, self-insured employers, union trusts, third-party administrators, business coalitions and associations make the decision to "lease/rent" networks to ensure they can offer quality networks as the platform for their benefit programs that meet all the same quality standards that would be part of network owned by an insurer, in fact depending on the insurer and their specific network requirements, "leasing/renting" a network may prove to be more cost effective than developing or owning their own network. While "leasing/renting" a network may be viewed as a cost containment measure it is also very important to recognize that a portion of any network access fee represents the cost associated with ensuring network quality standards are met. Networks that are "leased/rented" must meet accreditation quality standards that measure network adequacy standards, specialty provider standards, medical/case management criteria and credentialing and appeal standards. These quality standards in many states are required by law. Whether mandated by state law or through URAC or NCQA accreditation, networks must establish and maintain quality management programs to improve the delivery of healthcare services.

Thank you for your consideration of our comments and if NASHO can provide additional information or documentation please do not hesitate to contact me at (678) 429-6676.

Sincerely,

A handwritten signature in black ink, appearing to read "Julian Roberts". The signature is fluid and cursive, with a large initial "J" and "R".

Julian Roberts
Executive Director, NASHO