

NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

DATE: _____ CONTACT PERSON: _____ TELEPHONE: _____ EMAIL ADDRESS: _____ ON BEHALF OF: <u>Health Reform Solvency Impact (E) Subgroup</u> NAME: <u>Lou Felice</u> TITLE: <u>Chair of the Subgroup</u> AFFILIATION: <u>New York State Department of Insurance</u> ADDRESS: <u>25 Beaver Street</u> <u>New York City, NY 10004</u>	FOR NAIC USE ONLY	
	Agenda Item # _____	Year _____
	Changes to Existing Reporting []	New Reporting Requirement []
	REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT	
	No Impact []	Modifies Required Disclosure []
	DISPOSITION	
	[] Rejected For Public Comment	
	[] Referred To Another NAIC Group	
	[] Received For Public Comment	
	[] Adopted Date _____	
	[] Rejected Date _____	
	[] Deferred Date _____	
	[] Other (Specify) _____	

BLANK(S) TO WHICH PROPOSAL APPLIES

<input checked="" type="checkbox"/> ANNUAL STATEMENT	<input checked="" type="checkbox"/> QUARTERLY STATEMENT	
<input checked="" type="checkbox"/> INSTRUCTIONS	<input type="checkbox"/> CROSSCHECKS	<input checked="" type="checkbox"/> BLANK
<input checked="" type="checkbox"/> Life and Accident & Health	<input checked="" type="checkbox"/> Property/Casualty	<input checked="" type="checkbox"/> Health
<input type="checkbox"/> Separate Accounts	<input checked="" type="checkbox"/> Fraternal	<input type="checkbox"/> Title
<input type="checkbox"/> Other Specify _____		

Anticipated Effective Date: Annual 2010, Quarterly 2011

IDENTIFICATION OF ITEM(S) TO CHANGE

Add a new supplement and instructions for the recording of comprehensive major medical health insurance business for large group employer, small group employer, and individual.

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

To assist regulators in identifying and analyzing the medical loss ratio for comprehensive major medical health insurance as required in the Patient Protection and Affordable Care Act (PPACA) of 2009 (H.R. 3590).

NAIC STAFF COMMENTS

Comment on Effective Reporting Date: _____

Other Comments:

** This section must be completed on all forms.
ANNUAL STATEMENT FOR THE YEAR 2010 OF THE

SUPPLEMENTAL HEALTH CARE EXHIBIT (Due July 1 following the end of the Calendar Year)

REPORT FOR: 1. CORPORATION _____ 2. _____

NAIC Group Code _____ BUSINESS IN ~~THE STATE OF~~ _____ (LOCATION) NAIC Company Code or Codes included _____

DURING THE YEAR

	1 Individual	1A Individual (Grandfathered)	2 Small Group Employer	3 Large Group Employer	4 Other 1 (Place-holder)	5 Other 2 (Place-holder)	6 Other Health	7 Total
1. Premium								
1.1 Health premiums earned								
1.2 State and Local Tax assessments for indigent care of similar programs								
1.3 Premiums earned less state care programs (Line 1.1 - 1.2) Federal Income and Other Taxes								
1.4 State and local insurance taxes								
1.5 State premium taxes								
1.6 Regulatory authority licenses and fees								
1.7 Adjusted Premiums Earned (Lines 1.1-1.2-1.3 - 1.4 - 1.5 - 1.6)								
2. Claims								
2.1 Incurred claims excluding prescription drugs								
2.2 Prescription drugs								
2.3 Pharmaceutical rebates								
2.4 State assessments for stop loss, market stabilization and high risk pools								
3. Incurred medical incentive pools and bonuses								
4. Total Incurred Claims (Line 2.1 + 2.2 - 2.3 - 2.4 + 3)								
5. Improving health care quality expenses incurred								
5.1 Type A. Health care quality expenses incurred including cost containment								
5.2 Type B. Other health care quality expenses								
5.3 Type C								
5.4 Type D								
5.5 Total Improving health care quality (Line 5.1 + 5.2 + 5.3 + 5.4)								
6. Medical Loss Ratio (Line 4 + 5.5) / Line 1.7								
6.1 Adjustment for Credibility								
6.2 Adjustment for Newer Benefit Plans								
6.3 Reported Actual MLR prior to Rebates (Line 6+6.1+6.2)								
7. Claims adjustment expenses								
7.1 Cost containment not included in quality of care Line 5								
7.2 All other claims adjustment expenses								
7.3 Total claims adjustment expenses (Line 7.1 + 7.2)								
8. Sales general & administrative expenses								
8.1 Direct sales salaries, force salaries and benefits								
8.2 Agents and brokers fees and commissions								
8.3 Other taxes (excluding Federal Income Tax)								
8.4 Other sales general and administrative expenses								
8.5 Total sales general and administrative (Line 8.1+8.2+8.3+8.4)								
9. Underwriting Gain/Loss (Line 1.7 - 4 - 5.5 - 7.3 - 8.5)								
10. Net investment and other gain (loss)								
11. Federal income taxes not included in line 1.3								
12. Net gain or loss (Line 9+10+11)								
13. Rebates Paid in Year for Prior Years								

<p>REBATE PERCENTAGE DETERMINATION</p> <p>14. Adjusted Actual MLRs for Prior Years</p> <p>14.1 Immediately Prior Year</p> <p>14.1.1 Reported MLR (line 6.3 from Prior Year Report)</p> <p>14.1.2 Rebates Paid for Prior Year (from line 13)</p> <p>14.1.3 Adjusted Earned Premium (line 1.7 from Prior Year Report)</p> <p>14.2 Penultimate Year</p> <p>14.2.1 Reported MLR (line 6.3 from Penultimate Year Report)</p> <p>14.2.2 Rebates Paid for Penultimate Year (from line 13 of Prior Year Report)</p> <p>14.2.3 Adjusted Earned Premium (line 1.7 from Penultimate Year Report)</p> <p>14.2.4 Rebate Paid Percentage (line 14.2.2/line 14.2.3)</p> <p>14.2.5 Adjusted Actual MLR for Penultimate Year (line 14.2.1 + 14.2.4)</p> <p>15. Three year Average Adjusted Actual MLR Calculation</p> <p>15.1 Current Year Adjusted Actual (line 6.3)</p> <p>15.2 Prior Year Adjusted Actual (line 14.1.5)</p> <p>15.3 Penultimate Adjusted Actual (line 14.2.5)</p> <p>15.4 Average Ratio for Current Year (lines 15.1+15.2+15.3/3)</p> <p>16. Rebate Percentage for Current Year</p> <p>16.1 MLR Required Percentage</p> <p>16.2 Current Year Actual after three year averaging (line 15.4)</p> <p>16.3 Current Year Rebate Required (greater of 0 and [line 16.1 - line 16.2])</p> <p>17. Rebate Amount (line 1.7 x line 16.3)</p>									
<p>OTHER INDICATORS</p> <p>1. Number of Certificates</p> <p>2. Number of Covered Lives</p> <p>3. Number of Plans</p> <p>4. Member Months</p>									

ANNUAL ~~AND QUARTERLY~~ STATEMENT INSTRUCTIONS – LIFE, HEALTH, PROPERTY & FRATERNAL

SUPPLEMENTAL HEALTH CARE EXHIBIT

A schedule must be prepared and submitted ~~to~~ each jurisdiction in which the company has written direct comprehensive major medical health business, or has direct amounts paid, incurred or unpaid for provisions of health care services. This also includes the Federal Employees Health Benefit Plan (FEHBP). In addition, a schedule must be prepared and submitted that contains the grand total (GT) for the company.

Include medical only programs that provide medical only benefits without hospital coverage (defined benefit plans or mini-meds). Does not include self-insured business, Title XVIII Medicare Title, Title XIX Medicaid, vision only and dental only business. Report these lines of business in the other health column.

Business that provides for medical coverage including hospital, surgical, & major medical, excluding State Children’s Health Insurance Program (SCHIP) Medicaid Program (Title XXI) risk contracts should be reported in the other health column.

Column 1 Individual (including grandfathered business)
Health insurance where the policy is issued to an individual covering the individual and/or their dependents. This includes conversions from group policies unless the premiums and claims for such policies are retained in the group line. Exclude policies reported in column 1A.

~~Column 1A Individual (Grandfathered)
Health insurances written prior to enactment of the PPACA of 2009 (HR. 3590). This should include policies issued to an individual covering the individual and/or their dependents, as well as conversions from group policies.~~

Column 2 Small Group Employer

Column 3 Large Group Employer

Column 6 Other Health

All other health care business not reported in columns 1 through 4 including the State Children’s Health Insurance Program (SCHIP), Medicaid Program (Title XXI) risk contracts, Medicare Title XVIII, Medicaid Title XIX, Medicare Supplement, dental and vision only, prescription drug coverage, etc.

Line 1.1 – Health Premiums Earned

Include: Direct written premium plus the change in unearned premium reserves and reserve for rate credits.
The impact (plus or minus) of Assumed Reinsurance and Accepted Reinsurance

~~Line 1.2 - State and Local Taxes~~

~~Include: Assessments of state industrial boards or other boards for operating expenses or for benefits to sick unemployed persons in connection with disability benefit laws or similar taxes levied by states. Canadian and other foreign taxes are to be included appropriately.~~

~~Real estate and payroll taxes levied by a state or locality.~~

~~Advertising required by law, regulation or ruling, except advertising associated with investments.~~

~~State sales taxes, if company does not exercise option of including such taxes with the cost of goods and services purchased.~~

~~Any other tax or surcharge imposed generally by a state or locality.~~

~~State taxes based on policy reserves, if in lieu of premium taxes. Canadian and other foreign taxes should be included appropriately.~~

~~Exclude: Any portion of commissions or allowances on reinsurance assumed that represents specific reimbursement of premium taxes.~~

~~Any portion of commissions or allowances on reinsurance ceded that represents specific reimbursement of premium taxes.~~

~~Line 1.3 - Federal income and other taxes~~

~~Include: All federal income taxes, federal excise taxes or other fees or taxes payable to the federal government allocable to the insurance operations of the company.~~

~~All fees assessed pursuant to PPACA sections 9010 and 10905.~~

~~Line 1.4 - Regulatory Authority Licenses and Fees~~

~~Include: Assessments to defray operating expenses of any state insurance department.~~

~~Fees for examinations by state department, including charges for externally contracted examiners and specialists contracted by the state departments of insurance or departments of health for examinations.~~

~~Licensing fees for companies or agents paid by the company, rate and form filing fees, holding company filing fees or any other fee levied by state insurance or health departments on companies in order to file mandatory reporting forms, fees to obtain or renew certificates of authority, file articles of incorporation and bylaws, fees paid to file the company's annual and quarterly financial reports, fees paid to the NAIC's Securities Valuation Office in order to file annual financial reports.~~

~~Line 1.2 - State Assessments for Indigent Care or Similar Programs~~

~~Line 1.4 - State and Local Insurance Taxes~~

~~Include: Assessments of state industrial boards or other boards for operating expenses or for benefits to sick unemployed persons in connection with disability benefit laws or similar taxes levied by states. Canadian and other foreign taxes are to be included appropriately.~~

~~Advertising required by law, regulation or ruling, except advertising associated with investments.~~

~~State sales taxes, if company does not exercise option of including such taxes with the cost of goods and services purchased.~~

~~State income taxes.~~

~~Line 1.5 - State Premium Taxes~~

~~Include: State taxes based on policy reserves, if in lieu of premium taxes. Canadian and other foreign taxes should be included appropriately.~~

~~Exclude: Any portion of commissions or allowances on reinsurance assumed that represents specific reimbursement of premium taxes.~~

~~Any portion of commissions or allowances on reinsurance ceded that represents specific reimbursement of premium taxes.~~

~~Line 1.6 Regulatory Authority Licenses and Fees~~

~~Include: Assessments to defray operating expenses of any state insurance department.~~

~~Fees for examinations by state departments.~~

~~Exclude: Fines and penalties of regulatory authorities.~~

Line 2.1 – Incurred Claims Excluding Prescription Drugs:

Include: Paid Claims During the Year

Report payments net of risk share amount collected.

The impact (plus or minus) of Assumed Reinsurance and Accepted Reinsurance

Change in Unpaid Claims

Report the change between prior year and current year unpaid claims reserves, including claims reported in the process of adjustment, percentage withholds from payments made to contracted providers, recoverable for anticipated coordination of benefits (COB) and subrogation.

Change in Incurred but not Reported

Report the change in claims incurred but not reported from prior year to current year. Except where inapplicable, the reserve included in these lines should be based on past experience, modified to reflect current conditions, such as changes in exposure, claim frequency or severity.

Change in Contract & Other Reserves

The amount may be determined as provided in 42 CFR Chap IV (10-01-09 Edition) Section 403.253(b)

Exclude: Prescription drugs reported in line 2.2.

Pharmaceutical rebates received during the year, reported in line 2.3.

Medical incentive pools and bonuses.

Line 2.2 – Prescription Drugs

Include: Expenses for Prescription Drugs and other pharmacy benefits covered by the reporting entity.

Exclude: Prescription drug charges that are included in a hospital billing which should be classified as Hospital/Medical Benefits on Line 2.1.

Line 2.3 – Pharmaceutical Rebates

Refer to SSAP 84.

Line 2.4 – State Assessments for Stop Loss, Market Stabilization and High Risk Pools

Line 3 – Incurred Medical Incentive Pools and Bonuses

Arrangements with providers and other risk sharing arrangements whereby the reporting entity agrees

to share savings with contracted providers.

Line 5.1 – Health Care Quality Expenses Incurred Including Cost Containment

Include: See AHIP letter for the scope of the activities to be included in lines 5.1- 5.4
Cost containment expenses that directly relate to quality of health care:

Case management activities and chronic disease management that are directly related to the quality of care.

Network access fees to Preferred Provider Organizations and other network-based health plans (including prescription drug networks), and allocated internal salaries and related costs associated with network development and/or provider contracting;

Consumer education solely relating to health improvement and relying on the direct involvement of health personnel (this would include smoking cessation and disease management programs, implementation of wellness and health promotion activities, and other programs that involve hands on medical education);

Exclude: Cost containment expenses that do not directly relate to the quality of health care. These are reported in line 7.1.

Line 5.2 - Other Health Care Quality Expenses

Health care expenses as allowable under the Patient Protection and Affordable Care Act of 2009 (H.R. 3590).

Include: Prevention of adverse effects of drugs and biological products;

Health care research related to quality, outcomes, cost and utilization and access to health care services;

Implementation activities to improve patient safety and reduce medical errors through appropriate use of best clinical practices, evidence based medicine, and health information technology under the plan or coverage;

~~Line 6.1 - A percentage added to the value in line 6 to reflect the lack of statistical credibility in the underlying numbers. A table would need to be inserted with various “tolerance” percentages.~~

~~Line 6.2 - A percentage added to the value in line 6 to reflect the lower loss ratios historically reported for newer benefit plans. A table would need to be inserted with various “duration” weighted percentages.~~

Line 7.1 – Cost containment not included in quality of care Line 5

Include: Expenses that ~~meet the Statutory definition of cost containment expenses but are not actually serve to reduce the number of health services provided or the cost of such services. Exclude cost containment expenses which improve the quality of health care reported in line 5.1. The following are examples of items that shall be considered “cost containment expenses” only if they result in reduced levels of costs or services:~~

~~Case management activities;~~

~~Utilization review;~~

~~Detection and prevention of payment for fraudulent requests for reimbursement;~~

~~Expenses for internal and external appeals processes.~~

Line 7.2 – All Other Claims Adjustment Expenses

Include: Costs ~~expected to be~~ incurred in connection with the adjustment and recording of accident and health claims defined in subparagraphs 6 a. and 6 b. of SSAP No. 55. Further, Claim Adjustment Expenses for Managed Care Reporting Entities are those costs ~~expected to be~~ incurred in connection with the adjustment and recording of managed care claims defined in subparagraph 7 a. of SSAP No. 55.

Examples of other claim adjustment expenses are:

- Estimating the amounts of losses and disbursing loss payments;
- Maintaining records, general clerical, and secretarial;
- Office maintenance, occupancy costs, utilities, and computer maintenance;
- Supervisory and executive duties; and
- Supplies and postage.

~~Exclude: Costs reported in lines 5.1 through 5.4~~

Line 8 – Sales General & Administrative Expenses

Line 8.1 – Direct Sales Salaries, ~~Force~~ Salaries and Benefits of Salaried Personnel involved in Sales

Line 8.2 – Agents and Brokers Fees and Commissions

Line 8.3 – Other taxes ~~(excluding federal income tax)~~

Include: ~~Guaranty fund assessments and~~ Taxes of Canada or of any other foreign country not specifically provided for elsewhere.

Sales taxes, other than state sales taxes, if company does not exercise option of including such taxes with the cost of goods and services purchased.

Line 8.4 – Other Sales General & Administrative Expenses

OTHER INDICATORS

Line 1 – Number of Certificates

This is the number of certificates issued to individuals covered under a group policy in force as of end of the reporting period. It is not the number of persons covered under individual policies or group certificates. Reasonable approximations are allowed when exact information is not administratively available to the insurer.

Line 2 – Number of Covered Lives

This is the total number of lives insured, including dependents, under individual policies and group certificates as of end of the reporting period. Reasonable approximations are allowed when exact information is not administratively available to the insurer.

~~Line 3 – Number of Plans~~

~~This is the total number of insurance plans issued as of the end of the reporting period.~~

Line 4 – Member Months

The sum of total number of lives insured on a pre-specified day of each month of the reported period. Reasonable approximations are allowed when exact information is not administratively available to the insurer.

Line 4.1 - Previous year's Member Months

Line 4.2 - Penultimate Year's Member Months

Line 4.3 - Covered Lives for Tolerance Table

The sum of lines 4, line 4.1 and line 4.2 divided by 12.

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Drafting note for discussion:

The Working Group should discuss the usefulness of a subsequent "roll forward" schedule that reflects claims run-off and reconciles to a future date. (Possibly a subsequent date when rebates would be calculated.)

DISCUSSION DRAFT