

*Vermont . . .*

**Department of Banking, Insurance, Securities  
and Health Care Administration**

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May 11, 2010

Commissioner Sandy Praeger, Chair of the Joint Meeting  
Health Insurance and Managed Care B Committee  
Financial Condition E Committee  
National Association of Insurance Commissioners  
2301 McGee Street, Suite 800  
Kansas City, MO 64108-2662

Re: Request for comments relating to Medical Loss Ratios

Dear Commissioner Praeger:

I am writing on behalf of the State of Vermont to express a concern about the development of standards for the reporting of medical loss ratios, and the ability of states to implement important health care system reforms.

Vermont has been a leader in health care system reform initiatives, including:

- The Blueprint for Health: a program designed to integrate patient, provider and payer initiatives into a system of best practices for individuals with chronic illness.
- VHCURES: an all-payer claims database, which can be used by both health care providers and insurers to improve the quality and cost-effectiveness of health care treatment.
- The Consumer Health Care Information System: providing consumers with comparative price and quality information for health care services offered by hospitals and providers, and for prescription drugs and medical equipment and supplies.
- The Vermont Claims Administration Collaborative: establishing uniform Explanation of Benefits forms, uniform Patient Invoices, and other administrative and claims simplification standards.
- The Vermont Health Information Technology project: an information technology initiative developing a medical electronic health records system, and a state health information exchange.

These health care system reform initiatives are extremely important for the success of health care reform. Policy-makers in our state have determined that these programs promote the public good; consequently, through the enactment of laws and the adoption of regulations these

initiatives constitute legal obligations of health insurance companies, with their costs ultimately paid for by consumer premiums.

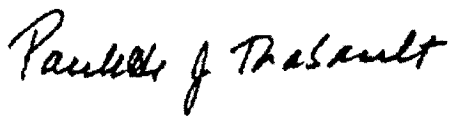
Vermont shares the concerns of many regulators that both the HHS' administrative rules and the NAIC uniform definitions relating to Medical Loss Ratios should not allow insurers to circumvent the intent of the federal legislation by permitting administrative costs which do not benefit consumers to be treated as medical expenses (See 5/6/10 Draft NAIC Response to Request for Information, page 5, Section B(3)(b)). While Vermont supports a rigorous methodology for reporting medical reimbursement expenses and health care quality expenses for purposes of determining a Medical Loss Ratio, Vermont also strongly urges the adoption of definitions and standards which will permit insurer expenses relating to health care system reform legal obligations to be characterized as "expenses for activities that improve health care quality", thereby excluded from the Medical Loss Ratio calculation. It is critical that the cost of these publicly-beneficial programs be recoverable by insurers, so that the programs can be implemented and the quality of a state's health care system can be improved. The characterization and reporting of health care system reform expenses could include a state regulatory review process, so that it is applied only legitimate and cost-effective health care system reform expenses.

If this suggestion is accepted, the following sentence could be added to the third paragraph of Section B(3)(b):

*Quality improvement expenses should also include the reasonable expenses of insurers necessary to implement state-mandated reform initiatives designed to improve the quality of the health care system, such as an all-payer claims database, medical electronic records projects and other health information technology initiatives, and initiatives designed to improve the quality and cost-effectiveness of treatments for chronic illnesses. Health care system reform expenses should be subject to review by a state's insurance regulator to ensure that such expenses are accurately categorized and calculated.*

Thank you for your consideration of this important matter.

Yours truly,



Paulette J. Thabault

Commissioner

Cc: Members of the Health Insurance and Managed Care (B) Committee  
Members of the Financial Condition (E) Committee