



American Association of Preferred Provider Organizations

July 15, 2010

VIA EMAIL knoonan@naic.org

Jane L. Cline
Chair, Executive Committee

RE: Comments on exclusions to definition of “Quality Improvement” expenses

Dear Chairwoman Cline and Members:

I am writing on behalf of the American Association of Preferred Provider Organizations (AAPPO), the leading national association of preferred provider organizations (PPOs) of insurers and non-risk PPO networks. AAPPO’s 1,065 members seek to advance the awareness of the benefits of greater access, choice, and flexibility that PPOs bring to the over 199 million Americans currently covered by PPOs today. Sixty-nine percent of Americans with health care are covered by PPOs.

AAPPO would like to express its appreciation for the opportunity to participate as an interested party in Subgroup E calls, and for the opportunity to provide comments throughout the process. AAPPO has reviewed the final proposal that was voted on and accepted at the July 1, 2010 meeting, and respectfully requests the Committee to consider the enclosed clarification language which will assist in fostering innovation in the Supplement Health Care Exhibit – Part 3.

AAPPO is fully aware that qualifying “Quality Improvement” expenses should be grounded in evidence-based medicine. As this evolves as the platform for clearly identifying any type of quality improvement expense in the delivery of health care for the future, it will also be necessary to consider innovation in the areas of network management, credentialing and accreditation. These are very broad “umbrella industry terms” used to describe multiple processes and activities being performed as part of functions that vary considerably among stakeholders and are evolving very quickly. While the proposal clearly outlines what expenses for these functions are unquestionably administrative or cost containment, no consideration is given to the innovations already underway in these areas which are wholly evidence-based medicine and will result in demonstrating health improvements.

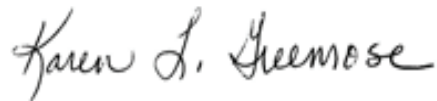
Network management serves as an excellent example to demonstrate the innovations in quality improvement activities. This function is evolving to include many varied care management programs and activities that are coordinated between insurers and providers to support improved patient care. Additionally, credentialing is evolving beyond simply verifying credentials and is beginning to include many performance based activities. Accreditation programs are also evolving and clearly demonstrate many varied coordinated care activities that produce verifiable results and achievements.

Accordingly, we request the exclusionary language in Part 3 be clarified so as not to stifle innovation.

We appreciate your consideration of our comments. If AAPPO can provide any additional resource information to substantiate our comments please do not hesitate to contact me.

Thank you for your consideration.

Very truly yours,

A handwritten signature in cursive script that reads "Karen L. Greenrose".

Karen Greenrose.
President and CEO

Except to the extent that they conform to the definition of “Quality Improvement expenses,” the following items are broadly excluded as not meeting the definitions above:

- Healthcare Professional Hotlines (except as noted above);
- All retrospective and concurrent Utilization Review;
- Fraud Prevention activities (all are reported as cost containment, but Part 1, Line 4 includes MLR recognition of fraud detection/recovery expenses up to the amount recovered that reduces incurred claims);
- The cost of developing and executing provider contracts and fees associated with establishing or managing a provider network;
- Provider Credentialing;
- All Accreditation Fees;
- Costs associated with calculating and administering individual enrollee or employee incentives; and
- Any function or activity not expressly included in Columns 1 through 5.