



American Association of Preferred Provider Organizations

August 11, 2010

VIA EMAIL [cavila@naic.org](mailto:cavila@naic.org)

Jane L. Cline  
Chair, Executive Committee

RE: Comments on Amendments to the Draft MLR "Blanks" Proposal

Dear Chairwoman Cline and Members:

I am writing on behalf of the American Association of Preferred Provider Organizations (AAPPO) to offer comments on the Blanks Proposal reflecting discussions with the the U.S. Dept. of Health and Human Services (HHS). AAPPO is 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.

While we have offered our comments before, we believe that the language we offered to the Committee July 17, 2010, is worthy of reconsideration based on some of the changes reflected in this most recent proposal. AAPPO has reviewed the new proposal 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. In the new proposal, accreditation fees and other items have been removed from the list of items broadly excluded from consideration as Quality improvement expenses, and are now included as quality improvement activities in the Medical Loss Ration computation. Our suggested language clarifies that activities that meet the definition of quality improvement expenses should be considered appropriate in instances when they may be confused with, or a component part of, fees or services broadly excluded. This is especially appropriate as, for example, accreditation expenses are incurred by PPO networks on behalf of carriers.

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.

AAPPO understands that “access fees” as defined as leasing a network would be considered a cost containment expense. However, there are numerous other network management services that serve as excellent examples in demonstrating the innovations of quality improvement activities. Network Management services continue to evolve 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 and to make sure that expenses otherwise defined as quality improvement are not appropriately allowed in the Medical Loss Ratio computation.

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,



Karen Greenrose.  
President and CEO

## **Suggested language for the Draft MLR "Blanks" Proposal**

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:

- 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;
- Marketing expenses;
- Costs associated with calculating and administering individual enrollee or employee incentives; and
- Any function or activity not expressly included in Columns 1 through 5.