

August 9, 2010



Commissioner Jane L. Cline  
President  
National Association of Insurance Commissioners  
2301 McGee Street  
Suite 800  
Kansas City, MO 64108-2662

SENT VIA EMAIL TO: <mailto:cavila@naic.org>

***RE: Section 2718 of the Public Health Service Act on Medical Loss Ratio Definition of Quality Improvement Expenses***

Dear Commissioner Cline:

On behalf of our more than 170 member hospitals and 34 health systems, the Georgia Hospital Association is asking for your favorable consideration of the following recommendations at this week's National Association of Insurance Commissioners (NAIC) Summer National Meeting. These recommendations relate to the implementation of the medical loss ratio provision of Section 2718 of the Public Health Service Act (PHSA).

As you know, Section 2718 of the PHSA imposes new minimum medical loss ratios (MLR) and reporting requirements on health insurers to ensure that a minimum percentage of insurance premiums are used to pay for health care services or activities that improve health care for enrollees. If an insurer fails to meet the minimum MLR, Section 2718 will require the insurer to provide an annual rebate to enrollees under such coverage

**The allocation of costs for MLR calculation should incorporate the following principles:**

- Only payments to licensed professionals and entities that deliver health care services should be classified as health care services;
- Costs and expenses that are classified as activities that improve health care quality need to meet specific criteria that are clearly defined by MLR regulation; and
- Loss adjustment activities should be counted as administrative costs because they do not provide health care services or improve quality.

**Georgia Hospital Association**

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**Additionally, we recommend that health insurance plans be required to aggregate MLRs at a level that is meaningful enough to ensure compliance with the letter and spirit of the law.** Aggregating MLRs at a company-wide level may be useful in examining solvency issues by regulators, but aggregating at too high a level might mask the variations in insurance markets and products.

Once again, we ask for your support of these critical recommendations as the NAIC finalizes their work on this provision of the PHSA. If you have any questions, please do not hesitate to contact me at [jparker@gha.org](mailto:jparker@gha.org) or (770) 249-4522.

Sincerely,

A handwritten signature in black ink, appearing to read "Joe Parker". The signature is fluid and cursive, with the first name "Joe" and last name "Parker" clearly distinguishable.

Joe Parker  
President

cc: American Hospital Association