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From: Carrie Haughawout, Assistant Director, Health Policy, Ohio Department of Insurance

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Subject: *Ohio Department of Insurance Comments on Agent/Broker Fees Removal from Medical Loss Ratio*

Ohio is fortunate to have a competitive and robust insurance market which has kept our insurance premiums comparatively low and allowed greater access to health insurance in our state. Part of what has made our system work is the many agents and brokers that play a vital role in helping individuals and small businesses make appropriate choices about insurance coverage.

In Ohio, the health insurance industry provides more than 15,000 direct jobs, and more than 35,000 indirect jobs, including agents and brokers. Additionally, more than 70 percent of employers report getting information about health care reform changes from their agent or broker. With the new health care reform law, it is now more important than ever that educated, qualified individuals are available to help small businesses and individuals when choosing appropriate health care coverage. Therefore, we are very sensitive to changes that may negatively impact our agent community. Anecdotally, we have been informed that agent/broker commissions have been reduced since the implementation of Patient Protection Affordable Care Act (PPACA) by as much as 20 to 40 percent.

For these reasons, Ohio strongly supports efforts to accommodate agent and broker commissions in the medical loss ratio calculations contained in the PPACA.

However, the Ohio Department of Insurance does have some concerns surrounding the proposed legislation that exempts “licensed independent insurance producer remuneration” from the MLR requirements. Though we generally agree that this approach is acceptable, there needs to be more specific consumer protections in place before carving out agent commissions altogether. The definition of “remuneration” is quite broad and leaves the door open for exploitation. One solution would be to strengthen the definition of “remuneration” for the purposes of this section. As an alternative to tightening the definition of “remuneration”, carving out agent commissions up to a certain percent might also be a suitable alternative. Finally, allowing states some flexibility on this piece may also be preferable, as commissions may vary greatly from state to state.

As always, the Ohio Department of Insurance is ready and willing to work with NAIC on this issue.