OFFICE OF INSURANCE REGULATION

FINANCIAL SERVICES COMMISSION

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COMMISSIONER OF AGRICULTURE

KEVIN M. MCCARTY
COMMISSIONER

January 6, 2012

Via email to MLRAdjustments@hhs.gov

Mr. Steven B. Larsen
Deputy Administrator and Director
Center for Consumer Information and Insurance Oversight
United States Department of Health and Human Services
200 Independent Avenue SW
Washington, D.C. 20201

RE: State of Florida's Request for Adjustment to Medical Loss Ratio Standard

Dear Mr. Larsen:

As you are aware, the Florida Office of Insurance Regulation sent you a letter dated December 30, 2011, requesting reconsideration of the Department of Health and Human Services' denial of Florida's application for adjustment to the medical loss ratio (MLR). The purpose of this letter is to provide additional documentation for our position.

The documentation includes numerous letters from the agent community discussing how the immediate implementation of the MLR has negatively affected their businesses in Florida. In addition, we also have letters from several insurers operating in our state showing how the immediate implementation of the MLR will destabilize the individual health insurance marketplace.

Again, we appreciate the opportunity to augment our initial letter for reconsideration with this important documentation, and we look forward to your decision.

Sincerely,

Michelle Robleto

Michelle Robleto
Deputy Florida Insurance Commissioner

Attachments

Amy Hardee

From: legislative@fahu.org
Sent: Friday, December 23, 2011 11:39 AM
To: rhett@advantageconsultingteam.com; Michelle Robleto
Subject: Fwd: MLR and Agent Commissions

----- Forwarded Message -----
From: "Stan Bershad, CLU" <stanbershad@earthlink.net>
To: legislative@fahu.org
Sent: Friday, December 23, 2011 11:53:16 AM
Subject: MLR and Agent Commissions

As you now health insurance commissions have been greatly reduced. Recently, I renewed the group insurance for my client that owns a small law Firm. For many years, previously I had been receiving about $75 per month in commissions from Aetna. To service my client properly I had to drive from my office in Bay Harbor Islands, Florida to his office in Fort Lauderdale which is about a 45 minute drive each way … We had to meet twice to help my client make his selection for him and his staff. Each meeting was about an hour . After these meetings he chose to stay with the policy that Aetna offered that was as close to the policy he had before. When I received my first month's commission from Aetna it was only $3.00! Even though the size of the group had not changed nor had the carrier or the plan. I learned that this is going to be the commission from now on! Since then my client and I have spoken on the phone many times and emailed frequently regarding claims and his dependants due to the new Florida dependant laws.

These reduced commissions from the carriers have impacted many of my smaller group clients and is making it very difficult for me to give them the service that they want and deserve. Even on the larger groups and individual health policies commissions have been reducing a little at a time. I am expecting that my larger clients will be forced to pay me a fee soon, since I am seeing that several carriers are not going to pay any commission on larger groups. Also, I don't know that I will be able to charge a fee to my smaller clients due to various regulations concerning fees.

I have been in the insurance business here in Florida since 1968 and have been a CLU since 1972. I have built my practice based on the great service that I give to my clients. There are 4 licensed agents in my office… one for about 15 years, one for about 25 years and one for about 40 years and we help each other and our clients throughout the day.

Group and Individual Health insurance accounts for about ½ my annual income. The rest comes from life insurance & long term care policies. These policies only pay a significant commission the first year. The group health insurance commissions have always paid renewals that are equal or close to the first year commissions, and the individual renewal commissions were always fairly strong, so I have been to give my clients the service and run my office and my personal life with a base income that I could count on. Now that I am getting older, I had expected to be able to run my office and life on that base income without having to chase around looking for new sales every day. I had planned to be able to get along by just giving the same great service to my existing clients. This is a very difficult position to be facing as I anticipate that health care reform is about to really cut my income even more in the near future due to the new Medical Loss Ratio rules about Agent commissions! Since I own the office I have never been eligible for unemployment benefits, or a pension sponsored and funded by a large employer. Actually I have counted on the renewals as one of my assets, so I will be forced to work even harder than the 50-60 hours a week I already work just to stay in business on an even basis.

Stan Bershad, CLU

1005 Kane Concourse

Suite 207

Bay Harbor Islands FL 33154

305-868-7300

Amy Hardee

From: legislative@fahu.org
Sent: Thursday, December 22, 2011 3:35 PM
To: Michelle Robleto; rhett@advantageconsultingteam.com
Subject: Fwd: Decrease in commissions

----- Forwarded Message -----
From: Donna Blizman <bliz1939@comcast.net>
To: legislative@fahu.org
Sent: Thu, 22 Dec 2011 09:19:21 -0500 (EST)
Subject: Decrease in commissions

In my small agency, individual health insurance policies may become a thing of the past that we are offering our clients. In the last two years, comparing 12/09 to 12/11 our commissions on new business in the individual market has decreased by 50%. The cost of doing business for an individual looking for health insurance is more than the commissions for our agency. In looking forward to our business plan for 2012 we are considering dropping the product from our portfolio, We regret this decision but we cannot offer a product that we do not get compensated enough for. The carriers we utilize in our agency are: Aetna, Golden Rule, Assurant, Celtic and Humana. All have decreased their commissions due to the MLR ruling. We have also had to drop agents from our agency that specialized in individual markets because keeping them here was only adding to our costs. We have definitely felt the impact of this ruling throughout our agency.

Donna Blizman, President

Employee Benefits Marketing Group Inc

1939 Racimo Dr

Sarasota Fl 34240

941-378-4117 PH

941-377-2164 FX

Amy Hardee

From: legislative@fahu.org
Sent: Thursday, December 22, 2011 3:39 PM
To: Michelle Robleto; rhett@advantageconsultingteam.com
Subject: Fwd: How MLR Reglualtions effect us

----- Forwarded Message -----
From: sarasotahlthins@aol.com
To: legislative@fahu.org
Sent: Thu, 22 Dec 2011 11:58:15 -0500 (EST)
Subject: How MLR Reglualtions effect us

Since the introduction of the MLR Regulations, our commissions have literally been cut in half. Our 4 largest Individual Major Medical Insurance Carriers are Golden Rule, Aetna, Cigna and Humana - the table below shows our exactly how our Commissions have effected. The percentages represent percent of the premium paid to us as commission.

Carrier	Prior to 2011	2011
Golden Rule	20%	10%
Aetna	18%	8%
Cigna	20%	12%
Humana	20%	10%

As a result of the MLR regulations, we cannot afford to run our Agency the way we did. Prior to 2011, our primary focus was Individual Major Medical. Now, we must focus on other types of insurance and financial services just to pay the bills. We cannot give Individual Major Medical the emphasis that we once did. I understand that the MLR Regulations were intended to help people by keeping the cost of Insurance down, but the unintended consequence is that the level of customer service for Individual Major Medical has been greatly diminished.

Michael Capierseho
Sarasota Health and Financial Services
1345 Main Street, Suite A
Sarasota, FL 34236
Tel (941) 366-5656

THE BAILEY GROUP

INSURANCE BENEFITS FINANCIAL PRODUCTS

To whom it may concern, January 6, 2012

As the State of Florida considers the impact of the MLR on its residents, MFB Financial dba The Bailey Group wanted to make certain the impact of the commission restrictions involved was considered in its true light.

About one and half years ago our individual health agents were told that child only policies were no longer going to be available to Florida residents due to the impending reform changes. They lost at least 30% of the subscriber base which they served.

Then, about one year ago, the individual health product carriers reduced their compensation to the agents who took the time to educate clients on their health product options. In one year, we lost two-thirds of our individual health agents. These agents left because they could no longer afford to stay in this business. The time needed to education clients remained the same (in fact, many clients were even MORE cautious of their choices), but the compensation for products reduced significantly. Our agents could no longer continue assisting the community.

I highly encourage decision makers to really identify the cost of MLR commission restrictions. It is not a savings when the community is losing the ability to have educated agents provide vital information about health care.

If you wish to inquire further, please do not hesitate to contact me at 904-461-1800.

Sincerely,

Deborah Croft
Operations Officer

MERCIA F. CERVEIRA
Notary Public - State of Florida
My Comm. Expires Jul 31, 2014
Commission # EE 7139
Bonded Through National Notary Assn.

1-6-12

www.mbaileygroup.com

1200 Plantation Island Drive Suite 210 St. Augustine, FL 32080
Tel: 904.461.1800 - Fax: 904.461.1775

Amy Hardee

From: legislative@fahu.org
Sent: Thursday, December 22, 2011 3:40 PM
To: Michelle Robleto; rhett@advantageconsultingteam.com
Subject: Fwd: Florida request for MLR waiver

----- Forwarded Message -----
From: Brad Dalbey <bdalbey@cfl.rr.com>
To: legislative@fahu.org
Sent: Thu, 22 Dec 2011 13:34:33 -0500 (EST)
Subject: Florida request for MLR waiver

To whom it may concern:

We built this agency on individual health insurance. Over the years, and especially since 2011, we have turned our attention to other insurance products, largely due to the number of carriers leaving the state and the severe reduction in commissions from those remaining.

Commissions from our top two individual health insurance providers has dropped since 10/1/10 from 15% to 4% and 20% to 12% for first year. Renewal commissions have dropped even more. While the need for individual health insurance has increased dramatically over the past two years the reduced outlets and remuneration have forced many of my colleagues to leave this market. We do not presently actively market in the area due to the issues above. We only write individual health insurance on a referral basis.

We would like to see a change that would at least bring more carriers back to Florida and hopefully, at the very least, stabilize commissions. We would definitely resume marketing efforts and reach out to many more customers in need if we foresaw some future stability in this market.

I know many, many other Florida agents feel the same about this issue. I believe it behooves the decision-makers to reconsider Florida's request for a waiver so that agents would increase, or at least continue their efforts to fill this need for Florida consumers. With the advent of PPACA this need for individual insurance will continue to increase. Without agents, the consumer is left on his/her own to wade through the available plans. Unfortunately, Florida is home to a very large number of health products marketed by unscrupulous "agents" and more often than not the consumer ends up with much less coverage than they need.

Sincerely,

Brad L. Dalbey
25 years in the Florida market.

Brad L. Dalbey Insurance Services, Inc.
Post Office Box 1335
Geneva, FL 32732
(407) 349-2425 Phone
(407) 349-0268 Fax
bdalbey@cfl.rr.com

Amy Hardee

From: legislative@fahu.org
Sent: Thursday, December 22, 2011 3:35 PM
To: Michelle Robleto; rhett@advantageconsultingteam.com
Subject: Fwd: effects of MLR

----- Forwarded Message -----
From: Mark Fiacable <mfiacable@comcast.net>
To: legislative@fahu.org
Sent: Thu, 22 Dec 2011 09:09:27 -0500 (EST)
Subject: effects of MLR

The MLR rules have virtually destroyed our Health Business the past year.

1. several of our carriers have left the business including World Ins., American Republic, American National, American Community severally limiting choice for our clients and driving up prices, only the mega large carriers remain.

2. All the remaining carriers have been forced to slash commissions by 50% from around 20% down to 8-10% first year and zero or 1 % second year, incomes are down so much that agents cannot afford to stay in the business.

3. of the 200 agents we employed only about 8 remain in the business to service clients and write new business, most have left.

4. We are losing our home because of the sudden drop in income as this is no longer a viable business, after 11 years of working hard to build a client base and create jobs and a lively hood for many people the MLR has single handedly sent us out of business. we are forced out of business by the government mandates and get no help because we are self employed, we should have gotten compensation from the government just like seizing property through eminent domain!

5. clients no longer feel the need to cover themselves with the increase costs and future guarantee of coverage.

<http://wwww.affordablehealthchoice.net/> ahcp web (2).jpg

Mark Fiacable

Division President

phone 239-970-2669

Fax 866-286-1588

www.affordablehealthchoice.net

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Amy Hardee

From: legislative@fahu.org
Sent: Friday, December 23, 2011 9:54 AM
To: rhett@advantageconsultingteam.com; Michelle Robleto
Subject: Fwd: just saw e-mail

----- Forwarded Message -----
From: "Joan Galletta" <jgalletta@jpperry.com>
To: legislative@fahu.org
Sent: Thursday, December 22, 2011 7:35:36 PM
Subject: just saw e-mail

Hi..

I am sorry. I was travelling and just got the e-mail when I landed and got access to a computer.

Our agency had two producers in the Health and Life Department, and four full-time staff people supporting them. Due to reductions in revenue, one producer left this segment of the business and we had to reduce our support staff to one full time and one part time person.

Individual commissions have been cut so significantly, that it is not a profitable line of business anymore. This affects our allocation of employee resources, and we are not actively soliciting these clients, which results in less information to the consumer. Specifically, Cigna reduced commissions from 20% to 12%, and other carriers have reduced commissions even more drastic, Aetna pays as little as 4% on some individual policies.

We also have limited competition in the individual market and one of our major HMO group carriers, AvMed, offers their individual product in South Florida, but has made the business decision NOT to expand to the North Florida market, due to PPACA MLR requirements.

This is all I can access off the top of my head. I hope its not too alte, and that it is helpful.

Warm regards,

Joan L. Galletta, JD
NAHU National Legislative Council
Employee Benefits Consultant
JP Perry Insurance, Inc
904-482-1671 office
904-268-2801 fax

Bud Jenkins

From:	legislative@fahu.org
Sent:	Saturday, December 24, 2011 3:02 PM
To:	Bud Jenkins
Subject:	Re: Negative Impact of MLR

I want to thank everyone that responded regarding the effect of the MLR regulations on your business. Because you did such a great job, I need you to do one more thing for me. Please print out your message, sign it and have it notarized.

Then email that copy back to me at this email address or fax to 850-846-6201. If you can do this on Tuesday, I can get them to the OIR that afternoon.

Thank you so much and remember this could have a major impact on your business in 2012.

Merry Christmas,

Ken Stevenson

FAHU Legislative chair
----- Original Message -----
From: Bud Jenkins <Bud@floridianins.com>
To: legislative@fahu.org
Sent: Thu, 22 Dec 2011 09:42:39 -0500 (EST)
Subject: Negative Impact of MLR

My personal income dropped 28% overnight in March of 2011 due to the change in small group and individual commission rates. There are not too many people who can sustain that level of reduction in income but I was able to supplant this income by retiring at 62yo.

Walter W. Bud Jenkins
NPN #2210252

Bud Jenkins

Dec 27th, 2011

CAROLINA VEGA
MY COMMISSION #DD678051
EXPIRES: MAY 09, 2013
Bonded through 1st State Insurance

Carolina
LEE COUNTY, FL.

Description: Floridian Insurance BC

"We shop - you save"

Health - Life - Vision - Dental - Disability & Retirement Income

Confidential -

This transmission may contain material that is confidential under Federal law and Florida Statutes and is intended to be delivered to only the named addressee. Unauthorized use of this information may be a violation of criminal statutes. If this information is received by anyone other than the named addressee, the recipient shall immediately notify the sender at the address or telephone number above and obtain instructions as to the disposal thereof. Under no circumstances shall the material be shared, retained or copied by anyone other than the named addressee."

Amy Hardee

From: legislative@fahu.org
Sent: Thursday, December 22, 2011 3:37 PM
To: Michelle Robleto; rhett@advantageconsultingteam.com
Subject: Fwd: Effects on my business

----- Forwarded Message -----
From: William Kohn <william.b.kohn@floridahealthagency.com>
To: legislative@fahu.org
Sent: Thu, 22 Dec 2011 09:35:33 -0500 (EST)
Subject: Effects on my business

Recent changes have affected my business in many ways. The biggest impact as it relates to the Healthcare legislation is that I can no longer sell child only policies. This means that many of my smaller group clients, the largest of my 50 groups is around 18 employees, who we provided insurance under the group plan for the employee but his / her children were covered under individual policies. This is no longer an option so I've lost both the policies of those employee's children (from around 30 policies down to none). In several cases, this change has meant that the companies have chosen to no longer provide group health insurance at all. I have lost several companies because of this.

Another effect is that the reduced commissions have stopped me from hiring a full time assistant, which would be necessary as I'm growing my business through diversification. This causes me concern in terms of the quality of service I provide.

I have also had another impact. The law has provided the opportunity for those with per-existing conditions to get insurance through ppip.gov.
Agents are supposed to get a referral fee for this. I have signed up and referred several people and have not as yet gotten a cent. It is basically pro-bono work. This is unfair. You close the market to me, you reduce my commissions, you cause companies to decide to terminate providing insurance, and then you want me to work for free.

Sometimes, I think you'd be happier if I were just unemployed!

--
Sincerely,

Bill
William B Kohn, Member
Florida Health Agency
4701 Federal Highway, Suite 304
Pompano Beach, FL 33064
Miami, FL 33305
954 247 8649 P
305 900 4028 P
561 855 1342 P
954 301 2282 F
william.b.kohn@floridahealthagency.com <wkohn@ebmsi.com> www.FloridaHealthAgency.com <http://www.floridahealthagency.com/>
Accredited with the Better Business Bureau Registered Agent for the Pre-Existing Condition Insurance Program Member of National, Florida, and Broward Association of Health

Underwritters Member of National, Florida, and Broward Association of Insurance and Financial Advisors Member of Citi Business Chapter of BNI Sponsor of Fort Lauderdale Film Festival

Amy Hardee

From: legislative@fahu.org
Sent: Thursday, December 22, 2011 3:41 PM
To: Michelle Robleto; rhett@advantageconsultingteam.com
Subject: Fwd: RE: Examples of Market Disruption

----- Forwarded Message -----
From: Vicki Lampert <vlampert@bbnaples.com>
To: 'legislative@fahu.org' <legislative@fahu.org>
Sent: Thu, 22 Dec 2011 13:46:21 -0500 (EST)
Subject: RE: Examples of Market Disruption

Yes. We didn't let anyone go, but we didn't replace employees who left through attrition.

Vicki Lampert
Senior Account Manager
Benefits Leader
Brown & Brown Benefits
Employee Benefits * Retirement Planning * Estate Planning Building Professional Relationships Through Personal Service

999 Vanderbilt Beach Road, Suite 509 Naples, Florida 34108
(239) 298-5084 Direct
(239) 261-3000 ext. 131
(866) 857-6332 Direct Fax
vlampert@bbnaples.com

www.bbbenefitsnaples.com

-----Original Message-----
From: legislative@fahu.org [mailto:legislative@fahu.org]
Sent: Thursday, December 22, 2011 12:17 PM
To: Vicki Lampert
Subject: Re: Examples of Market Disruption

did the reductions force you to reduce staff?

----- Original Message -----
From: "Vicki Lampert" <vlampert@bbnaples.com>
To: "legislative@fahu.org" <legislative@fahu.org>
Sent: Thursday, December 22, 2011 11:12:40 AM

Subject: Examples of Market Disruption

We have been affected in numerous ways by the MLR treatment under PPACA:

Group sizes have dropped and employers have reduced benefits in order to lower cost; our commissions have decreased accordingly.

We had a 300-life group contact a carrier directly in order to reduce cost withou paying any broker compensation. We were able to retain the business but were forced to reduce our commission by 33%.

Due to publishing commissions as a separate line item, another large employer (150+) left us for another broker who took our work and simply agreed to a lower commission.

The commissions we receive allow us to employee qualified licensed brokers who provide exceptional service to our clients. We accept the responsibility for participant education, wellness programs, legislative updates & employer compliance. Furthermore, in addition to assisting plan design and negotiating with the carriers we as employees and employers with benefit questions and claim issues. The above describes ways in which our ability to keep doing business at this level is being jeopardized.

Sincerely

Vicki Lampert

Senior Account Manager

Benefits Leader

Brown & Brown Benefits

Employee Benefits * Retirement Planning * Estate Planning

Building Professional Relationships Through Personal Service

999 Vanderbilt Beach Road, Suite 509 Naples, Florida 34108

(239) 298-5084 Direct

(239) 261-3000 ext. 131

(866) 857-6332 Direct Fax

vlampert@bbnaples.com

www.bbbenefitsnaples.com

Please remember that insurance coverage cannot be bound or changed by leaving an electronic message or voice mail message .

Please consider the environment before printing this email.

Amy Hardee

From: legislative@fahu.org
Sent: Thursday, December 22, 2011 3:41 PM
To: Michelle Robleto; rhett@advantageconsultingteam.com
Subject: Fwd: Fw: Comments From Florida Association of Health Underwriters

----- Forwarded Message -----
From: FL Assoc of Health Underwriters <fahu@fahu.org>
To: legislative@fahu.org
Sent: Thu, 22 Dec 2011 14:45:36 -0500 (EST)
Subject: Fw: Comments From Florida Association of Health Underwriters

----- Forwarded Message -----
From: "BOB@ARWMORGAN.COM" <BOB@ARWMORGAN.COM>
To: fahu@fahu.org
Sent: Thursday, December 22, 2011 2:32 PM
Subject: Comments From Florida Association of Health Underwriters

Florida Association of Health Underwriters

Name: ROBERT MORGAN
Email Address: BOB@ARWMORGAN.COM

Comments

REFERENCE MEDICAL LOSS RATIO

HUMANA CHANGED FROM 20% WITH 5% RENEWAL
TO 10% + 5% 2YRS AND 3% 5 +

AETNA CHANGED FROM 20% 5%^ RENEWAL
TO 4% WITH 3% RENEWAL

GOLDEN RULE CHANGED FROM 15% 5% RENEWAL
TO 10% RENEWALS 4% 4 YRS 2% 5 +

CIGNA CHANGED FROM 20% + 5% RENEWAL
TO 12% + 5% RENEWAL

GROSS REVENUE FOR 11 MONTHS 2011 VS 2010
DROPPED FROM $165,000 TO 97,000

CHANGED FROM 3 AGENTS TO 2 AGENTS

CHANGED FROM 2 CLERICAL TO ZERO

Amy Hardee

From: legislative@fahu.org
Sent: Thursday, December 22, 2011 3:37 PM
To: Michelle Robleto; rhett@advantageconsultingteam.com
Subject: Fwd: Impact of MLR

----- Forwarded Message -----
From: Needlemanfs@aol.com
To: legislative@fahu.org
Sent: Thu, 22 Dec 2011 10:06:29 -0500 (EST)
Subject: Impact of MLR

I primarily write CIGNA and Humana for individual health insurance. Both used to pay 20% first year commission and 5% renewals. That has been reduced to 12.5% and 10% respectively for first year commissions. This has resulted in a reduction of 15% in my income from individual health policies.

Steve Needleman
Needleman Financial Services
10200 W. State Rd. 84 Suite 220
Davie, Fl. 33324
ph) 954-236-9498
fax)954-236-9428
email) needlemanfs@aol.com

Amy Hardee

From: legislative@fahu.org
Sent: Thursday, December 22, 2011 3:34 PM
To: Michelle Robleto; rhett@advantageconsultingteam.com
Subject: Fwd: Immediate response needed

----- Forwarded Message -----
From: James Nichols <JNichols@ccfninsurance.com>
To: legislative@fahu.org
Sent: Thu, 22 Dec 2011 08:55:08 -0500 (EST)
Subject: Immediate response needed

Our agency, Connelly Carlisle Fields & Nichols had a major part of our business in writing individual policies.HumanaOne paid us 22% first year commissions and that was reduced to 12% as of 1/1/2011. Coventry Healthcare paid us 20% and that was reduced to to 10% on 1/1/2011.

As a consequence we fired two full time salaried personnel (Melissa Garland & Justin Gilstrap). Our commissioned sales agents saw their net income reduced dramatically and the result is that many of them are no longer selling individual health insurance. Our agency income from individual sales has dropped by close to $100,000 but I won't have final numbers until early next year.

And...I just last week got the notice from HumanaOne that they are canceling our contract for lack of sales.

James J. Nichols
Sent from my iPad

Dear Florida Office of Insurance Regulation,

Our agency is a multi-line agency in Tallahassee, Florida. We have 35 employees with 8 specifically that sell and service health insurance. One of those eight specifically sells and services individual health insurance for Blue Cross Blue Shield of Florida. While she has sold as much or more in 2011 as was sold in 2010 the income from those sales was cut in half by Blue Cross. Even thought she is extremely busy 8 hours a day 5 days a week, we may be forced to eliminate her position since the commission revenue barely covers her salary let alone the cost of company paid health insurance.

We also have another employee responsible for groups under 10 employees. Due to commission cuts in small group we may be in a similar situation with her position.

Tallahassee is a relatively small community and we don't have the luxury of only servicing only the larger clients so we are forced to subsidize some of these services to small clients or we jeopardize the goodwill we have in the community. The end result is this gives the larger regional or national brokerage firms a competitive advantage. One of the unintended consequences no one talks about is the impact the MLR is having on the small businesses engaged in insurance. In many rural areas they are the backbone of the community. But with the carriers cutting cots to meet the MLR requirements they are cutting out these small businesses.

Our State has already taken a huge hit with the real estate collapse. We don't need another economic disaster

John Olewski, CEBS
Vice President-Employee Benefits
Earl Bacon Agency
Ph. 850-878-2121
Fax 850-878-2128

S. RENEE RAMIREZ
MY COMMISSION # EE 145657
EXPIRES: May 18, 2015
Bonded Thru Notary Public Underwriters

Amy Hardee

From: legislative@fahu.org
Sent: Friday, December 23, 2011 9:53 AM
To: rhett@advantageconsultingteam.com; Michelle Robleto
Subject: Fwd: MLR Waiver

----- Forwarded Message -----
From: "Charles Owens" <Charles@owensfinancialgroup.com>
To: legislative@fahu.org
Sent: Thursday, December 22, 2011 7:33:37 PM
Subject: MLR Waiver

This information is provided in an effort to inform HHS how the denial of Florida's request for the MLR waiver adversely and financially affects Florida's insurance agents and agencies.

I am the founder and CEO of a small independent insurance agency in Tallahassee. I have been a licensed insurance professional agent continuously since 1984 and have diligently served my clients without any interruptions for nearly three decades. The insurance industry is my chosen professional as I have a degree in insurance and risk management from the University of Georgia. I also achieved an insurance industry professional designation (almost three decades ago) as a direct result of my desire to serve the industry and my clients with an increased level of insurance knowledge and expertise. Simply stated, I am not in the insurance industry because I could not find any other form of employment; my career path was a thoughtful and deliberate choice.

Part of my work efforts for many years have included (among many other insurance products) the sale and service of both individual and group health insurance plans. Over the past twenty-seven plus years every time there was a new guideline or legislation that was passed which would affect the bottom line of the insurance companies, the insurance companies would find some creative way to pass the cost or burden of the new guidelines or legislation on to the individual agent or agency. The insurance agents and agencies are forever given the "dirty end of the stick" when it comes to our dealings with the insurance carriers we faithfully represent. If the MLR waiver is not approved in Florida, then that is just one more time the agents and agencies are again being given the "dirty end of the stick" by the carriers we represent. Insurance carriers are very creative when it comes to taking steps to protect, maintain or achieve their desired profit margin. The denial of the MLR waiver has and will continue to precipitate the carrier's creativity to serve their agendas. I believe carriers are mostly driven by their profit margin which is directly contrary to the agent's servant mentality. Agents and agencies are obviously placed in a position of acquiescence to the carriers we represent. Denial of the MLR waiver is just one more example of that acquiescence in favor of the carriers.

In the absence of a waiver for the MLR in Florida, agents are again the victims of the carrier's creativity to protect themselves and their pocket books or bottom line. There are currently numerous examples of how the agent and agency community are, and will be, negatively affected financially in the absence of a waiver of the MLR in Florida. In an effort for the insurance companies to ensure or maintain their profit margins (absent a MLR waiver), they have reduced the agent's compensation level considerably. In many instances, the carriers have simply reduced the agent's compensation (frequently a percentage of the insurance plan's premium) by between 25%-50%. And, with some carriers (BCBSF specifically) they have changed (without consulting the agent community) the method by which they compensate agents for the sale of individual health policies. In other words, BCBSF recently changed the agent's compensation mode from the previous mode which was generally calculated as a percentage of the plan's total premium. Now, BCBSF only pays the agent a dollar amount (not percentage) per insured member. Speaking specifically of a family individual health plan with a total of four family members, the agent will now only be compensated for one individual (in the family unit) and not compensated for the four members in that family unit. Whereas in the recent past, the agent would be paid a percentage of the entire premium for the family of four. By taking this step and changing the mode of compensation to agents, carriers will help to ensure their desired profit margin. I do not believe the carrier's would have taken that particular step to protect their bottom line if the MLR waiver was approved in Florida. With the MLR waiver approved, the carrier would then not need to include the agent's compensation in their part and there would be no need from them to terminate agents (increases Florida's already high unemployment) and reduce the compensation of other agents.

By the HHS denying Florida's request for the MLR waiver will have dire financial consequences on Florida's agents and agencies. Denial of the MLR waiver will also have a negative adverse impact on Florida's insurance consumers - there will be less agents to professionally represent their insurance needs. Agencies are no longer able to recruit agents, to pay agents and staff and stay in business because our compensation (without the MLR waiver) has been decreased so severely by the carriers. I am a Master Approved Agency (MAA) with BCBSF, but I cannot recruit agents to sell health insurance as the compensation to do so has been so severely decreased. Again, I believe the compensation to agents and agencies has been decreased as a direct result of the denial of the MLR waiver --- the carriers are protecting their bottom line by reducing the compensation paid to the agents, in addition to imposing and enforcing production requirements on the agents to even maintain or continue an agent contract relationship with the carrier.

The denial of the MLR waiver in Florida will directly add to the ranks of the unemployed. Agents are leaving the industry (and new agents will not enter the business) and agencies are having to reduce staff size because the agencies can no longer afford the overhead and expense because of the reduced level of compensation. I have personal knowledge of agents whose producer contracts have been terminated by BCBSF and that action was justified (by the carrier) by taking the position that the agent was not writing enough new business. Those agents whose contracts are being terminated are not neophytes, some of them have been in the insurance industry for more than twenty years. It is my belief the carriers would not be taking these drastic actions (reducing agent compensation and terminating others) if the MLR waiver is approved in Florida. Carriers have a method(s) of dealing with the denial of the MLR in Florida - the carriers simply reduce agent's compensation and terminate other agents. In my opinion, if the agent's compensation were outside of the MLR, then agencies could recruit new agents, maintain their current agents, maintain current staff and continue to passionately serve the citizens of Florida. Absent the waiver of the MLR in Florida, unemployment of agents and staff will continue to rise. Consumers in Florida will suffer as there will be fewer agents to represent their needs. Denial on the MLR waiver in Florida benefits the carriers (as they have remedies) and penalizes the agent community and also punishes the Florida consumers.

In light of the aforementioned information, I respectfully request the HHS to again review this MLR situation and approve of Florida's request for an MLR waiver.

Charles
~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~
Charles L. Owens, Jr., LUTCF

Fonder & CEO
Owens Financial Group, Inc.
1704 Metropolitan Blvd., Suite 4
Tallahassee, FL 32308-3767
voice: 850-222-8739
e-fax: 850-224-5065
e-mail: charles@owensfinancialgroup.com
web: http://www.owensfinancialgroup.com
web: http://finsecurity.com/owens
web: http://owensLTCsolutions.com

Insurance and Financial Services since 1984 'Planning For Your Tomorrows Today'
National Ethics Association Status (click here)
~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~

Amy Hardee

From: legislative@fahu.org
Sent: Thursday, December 22, 2011 3:39 PM
To: Michelle Robleto; rhett@advantageconsultingteam.com
Subject: Fwd: MLR waiver

----- Forwarded Message -----
From: Mike Schunk <mike.schunk@ebafl.com>
To: legislative@fahu.org
Sent: Thu, 22 Dec 2011 11:44:45 -0500 (EST)
Subject: MLR waiver

HHS

I truly hope you will reconsider your decision concerning Florida's request for a MLR waiver for commissions.

My business is strictly group, typically serving employers with 10 to 200 employees. PPACA has already caused a great deal of market disruption. Both employers and agents/agencies. Following is a partial list of the financial impact your decision is currently having.

. Several large insurance carriers (Aetna taking the most drastic steps) have limited employers access to their product by reducing their distribution channel. This is hurting completion. (Aetna is giving preferred pricing to only the very large insurance agencies. - I believe all agents should have access to the lowest pricing for their clients.)

. Commissions decrease, while agents spend more time representing clients. The amount of time we spend on compliance and regulations have more than doubled in past few years.

. I have spent hours working on behalf of a burn victim who is an employee of a client. This individual has spent 5 months in the hospital (most of that in intensive care). He does not qualify for disability social security. At the same time his wife has cancer and they have a one year old at home. - If commissions are included in the MLR this family would not be able to afford the advice they need. They've already been denied help by attorneys. The situation is compounded because the individual is not a US citizen (he is here legally).

. I have been needing to hire at least two additional support staff, however I am not able to add any employees with the current MLR ruling. If the MLR ruling goes into effect, I will need to make layoffs.

. Employers are scaling back on other benefits, dental, disability insurance, long term care insurance to pay for the added burden under PPACA.

Michael J. Schunk, CEBS, GBA, RPA, CLU, ChFC | President & Director of Employee Benefits
Employee Benefit Advisors, LLC

7805 SW 6th Court | Plantation, FL 33324 Phone 954.931.9970 | Fax 954.474.9850

<mailto:mike.schunk@ebafl.com> mike.schunk@ebafl.com | <http://www.ebafl.com> www.ebafl.com

Amy Hardee

From: legislative@fahu.org
Sent: Thursday, December 22, 2011 3:36 PM
To: Michelle Robleto; rhett@advantageconsultingteam.com
Subject: Fwd: MLR Evidence

----- Forwarded Message -----
From: Dave Sherrill <dave@sherrillins.com>
To: legislative@fahu.org
Sent: Thu, 22 Dec 2011 09:34:33 -0500 (EST)
Subject: MLR Evidence

We are a marketing general agency providing product, service and support to independent agents, so that they can help their clients find affordable insurance options. In 2010 we represented 2 major individual medical insurance companies.
Due to the MLR requirement, effective 1/1/2011, one of these carriers cancelled our override contract and the other one reduced our compensation by 40% from 5% to 3% override.

In 2010 we had revenue of $41,100 from this line of business. That revenue was down 32.5% in 2011 to only $27,750.

In 2010 we assisted in insuring 211 families. Due to these changes, our production in this market was down 36% and we were only able to assist in insuring 134 families.

Due to these changes we were forced to reduce the compensation of a full time employee by 32% from 2010 to 2011 and our total payroll was reduced by 21%.

Thank you,
Dave

David M. Sherrill
Sherrill Insurance Brokerage, Inc.
407 CenterPointe Circle, Suite 1637
Altamonte Springs, FL 32701
407-831-5000 800-347-1853 Fax 407-831-2990 www.sherrillins.com

Florida Assocation of Health Underwriters President 2003-2004, Executive Director 2006-Present Central Florida Association of Health Underwriters President 2001-2002 & 2007-2008, Executive Director & Treasurer 2010-Present NAIFA Central Florida Board of Directors 2006-Present

Amy Hardee

From: legislative@fahu.org
Sent: Friday, December 23, 2011 9:48 AM
To: rhett@advantageconsultingteam.com; Michelle Robleto
Subject: Fwd: MLR

----- Forwarded Message -----
From: "Rick Stark" <rnstark@starkinsurance.net>
To: legislative@fahu.org
Sent: Thursday, December 22, 2011 4:08:29 PM
Subject: MLR

My name is Rick Stark, an insurance agent in South Florida. Due to commission cut backs from MLR we are in a holding pattern. I am keeping my staff as is, and there will be no business expansion. We will continue to serve the public as we always have, but it is becoming more difficult to do so with shrinking margins, and if this continues, I will either have to cut back hours and service, or maybe even lay off a staff member.

Rick Stark

Stark & Associates

1921 NW 150 Ave Ste 104

Pembroke Pines , FL 33028

954-441-3933

954-441-3943 fax

954-303-3688 cell

www.starkinsurance.net

www.starkinsurance.net/blog

Amy Hardee

From: legislative@fahu.org
Sent: Thursday, December 22, 2011 3:40 PM
To: Michelle Robleto; rhett@advantageconsultingteam.com
Subject: Fwd: commissions causing loss of income

----- Forwarded Message -----
From: Greg L Takacs <southinsurance@aol.com>
To: legislative@fahu.org
Sent: Thu, 22 Dec 2011 13:37:52 -0500 (EST)
Subject: commissions causing loss of income

I cannot write any new individual policies anymore due to the fact that it is costing me more money than I actually make.
We only made a small profit, prior to the reduced commissions now it is impossible to stay in business.
Sincerely
Greg L. Takacs

Greg L.Takacs, NAHU
863.412.5152
863.324.6075 FAX
southinsurance@aol.com
www.southinsurances.comprior

Amy Hardee

From: legislative@fahu.org
Sent: Friday, December 23, 2011 11:46 AM
To: rhett@advantageconsultingteam.com; Michelle Robleto
Subject: Fwd: MLR effects

----- Forwarded Message -----
From: "Allison M. Wilgus" <allison.wilgus@gmail.com>
To: legislative@fahu.org
Sent: Friday, December 23, 2011 11:54:49 AM
Subject: MLR effects

BCBS cancelled our agency because we don't write enough business with them and forced us to move under an FMO who takes half of our commission on some of our groups we've had for 4 years.

We may discontinue to sell BCBS because of their terrible commission structure and underwriting. It is too hard to get clients approved at anything close to standard rates.

I had to lay off my assistant this year because with the cut in 2011 commissions, I could not afford to pay her to assist me in the administrative work and keeping in touch with my clients. Now I can not focus on selling insurance as much because I have to manage all aspects of my business.

So many more, but not enough time. Need to get back to work.

--
In good health,

Allison M. Wilgus
Health Brokers of Florida
954.629.3938
allison.wilgus@gmail.com
HealthBrokersofFLorida

Amy Hardee

From: legislative@fahu.org
Sent: Friday, December 23, 2011 9:53 AM
To: rhett@advantageconsultingteam.com; Michelle Robleto
Subject: Fwd: Market Disruption examples

----- Forwarded Message -----
From: "Rick Zeitler" <RJZeitler@aol.com>
To: legislative@fahu.org
Sent: Thursday, December 22, 2011 6:42:26 PM
Subject: Market Disruption examples

Here are a couple of examples for me…

My carrier, HumanaOne, has cut my commissions from 20% to 10% on new business for individual Health policies. That has hit me tremendously. When writing a policy for "let's say $80 a month, for a single male, high deductible policy," I will now get $8 a month in commission. You cannot make a living at that when you factor in that you will spend about 3-4 hours with the client on that application process and service. You have to account for gas, travel, agent insurances, overhead, etc…. As a result, I have cut back my sales efforts when those calls come in due to they are not profitable to complete in person.

When this year started, my group commissions were changed for Humana and AETNA. My Humana commissions on my book of business were reduced by over 20% and my AETNA book of business over 40%. I had one month to adapt to that. As a result, I have had to cut back on the level of service I provide my clients and new clients dramatically due to the fact that I had to take a second job in the evening and weekends in order to pay my bills, feed my family and not lose my house. I now work around 70 hours a week due to that part time job along with my current business. My clients are feeling the lack of service with their claims. I had to tell people this year for the first time in 23 years that I could not help them with their complex (Most of them are) claim challenges due to their problems would take too much time and I had to go to my second job. I have no extra money to pay anyone part time to do that where before I did.

Helping you to protect your dreams… so you can sleep better at night!

Rick Zeitler, LUTCF

Richard J Zeitler Insurance Agency

509 Brooker Road

Brandon, FL 33511

Tele: 813-684-3435

Fax and Toll-Free: 800-681-3435

Email: RJZeitler@ZeitlerInsurance.com

Aetna™

151 Farmington Avenue
Hartford, CT 06156

Mark T. Bertolini
Chairman, CEO and
President
860-273-1188

January 5, 2012

The Honorable Kevin McCarty
Commissioner
Florida Office of Insurance Regulation
200 East Gaines Street
Tallahassee, FL 32399

Dear Commissioner McCarty:

We write this letter in support of your request for reconsideration, dated December 30, 2011, to the U.S. Department of Health and Human Services (HHS) regarding the denial of the request for adjustment of the medical loss ratio (MLR) on behalf of the State of Florida.

As you know, Aetna is one of the nation's leaders in health care, dental, pharmacy, and other employee benefits. We have 18.6 million medical members nationwide and cover nearly 1.2 million members in Florida. Aetna employs 4,271 Floridians who come to work every day with the mission of improving health care coverage for our members in Florida and across the country.

We want to emphasize again our agreement with the points you made in your December 30 letter to HHS. We remain very concerned about the cumulative effect of the MLR requirement on the health insurance market in your state. In particular, we believe that compliance with the 80 percent federal MLR requirement prior to 2014 is likely to result in reduced product offerings that will make insurance coverage more expensive, as consumers will no longer have products available to them that meet their affordability threshold.

Most products we are now offering in Florida were priced and sold prior to the new MLR rules. Current Florida regulation sets MLRs of 65 percent for insurers and 70 percent for HMOs. These requirements are dramatically different than the new MLR standards and will present serious short term conversion challenges to the new MLR. Since these products still carry the same administrative requirements associated with underwriting, rating, and distribution – with many insurers involved with multi-year contracts with brokers and other mechanisms that cannot be modified overnight – immediate conversion to the 80 percent MLR requirements will cause significant disruption in product offerings for consumers. A phase-in that gradually raises the current standards every year would allow time for insurers and their customers to adjust to the new rules and would help assure a robust competitive market.

We have already seen a transformation of the insurance business as insurers redesign their products to come into compliance with the Affordable Care Act. This includes benefit changes to add 100 percent coverage for preventive services, new appeals processes, eligibility expansions, and other initiatives. While these initiatives clearly add value for consumers, their implementation has also required significant administrative changes and costs that if not phased in, will have adverse financial implications for consumers.

Finally, from the standpoint of the industry, it is clear from testimony provided during Florida's original request for adjustment, including that of Aetna, that there will be a deleterious effect on the market if the adjustment is not granted. This could vary anywhere from health plans reducing their product offerings to exiting the market altogether. All of this activity would reduce consumer choice, especially in rural regions of the state that may already be lacking in health plan participation (e.g. the Florida Panhandle.)

In light of these facts, we believe it is important to the consumers of the State of Florida that HHS reconsider its denial of the request for adjustment and grant the request, as it has done in other markets. Thank you again for your commitment to this important issue and please do not hesitate to contact me with any questions.

Sincerely,

AvMed
HEALTH PLANS

January 6, 2012

Mr. Steven B. Larsen
Deputy Administrator and Director
Center for Consumer Information and Insurance Oversight
United States Department of Health and Human Services
200 Independent Avenue SW
Washington, D.C. 20201

Dear Mr. Larsen:

As you are aware, the Secretary of the Department of Health and Human Services (DHHS) has denied Florida's application for a waiver from the Medical Loss Ratio (MLR) requirement. The purpose of this letter is to outline the concerns that my organization has with respect to the impact and unintended consequences of the requirement and to express support for reconsideration of the denial as provided under 45 CFR 158.346.

AvMed Health Plans has been a participant in the large and small employer group markets for several decades. However, we are a relatively new entrant to the individual market having launched that product line in the early part of 2009. Our organization has made a substantial investment in the individual product line and we would like to maintain a long-term presence in this market to serve new members as well as existing members who may ultimately transition from employer based coverage to individual coverage.

As a new entrant into the individual market, our first concern with the MLR requirement is that the volatility in costs associated with low membership volume results in an inability to accurately project and price to a stated medical loss ratio in a single year. The intent of the minimum MLR requirement, we believe, is to protect consumers from being charged premium rates that are unreasonable in relation to the benefits being provided. We want the same for our customers. However, we would argue that the MLR calculation does not provide an accurate measurement of the value one receives for their health care premiums. Because of the claims expense volatility associated with low enrollment, our ultimate MLR will likely be influenced more by random events as opposed to specific actions taken by our health plan. We understand that the regulations allow for credibility and other adjustments to compensate for the inherent volatility of low membership volume. However, those adjustments do not go far enough in providing relief to new market entrants, like ourselves, who are steadily building membership volume.

Our second concern is with the misalignment of the time period over which claims costs are measured for purposes of calculating a medical loss ratio and the time period for which claims costs are estimated in the development of premium rates. Our individual product is a medically underwritten product. The value of the medical information gathered during the member's application process declines over a period of years and significantly so after the first policy year. This means that claims costs for individuals are not likely to increase at a steady rate over the first few years of the policy. Rather, we expect to see significant escalation in claims costs over time as the value associated with medical underwriting wears off. To protect consumers from fluctuations in premium rates, premiums are developed based on loss ratios expected to be incurred over the lifetime of the policy. This provides the consumer with more predictable changes in premiums from year to year. Implementation of the MLR requirement will force us to consider charging inadequate premiums (to avoid paying rebates) in the initial policy years and then applying higher than acceptable rate increases in subsequent years to offset the wear-off of medical underwriting. Thus, the very mechanism currently in place in Florida that protects consumers from significant increases in premiums from year to year

4300 NW 89th Blvd., Gainesville, FL 32606 • Phone (352) 372-8400 • www.avmed.org

will generate non-compliance with the MLR requirement. The MLR requirement for a new or startup plan, whose entire membership consists solely of new policyholders, does not serve its intended purpose on behalf of the consumer. We need to have some alternate mechanism to demonstrate to our customers that our premiums are reasonable in relation to the benefits being provided because the MLR requirement does not accomplish that purpose.

Our third concern deals with the impact of benefit design on the MLR results. We all know that increases in the underlying cost of health care are responsible for the level of premium increases that consumers have been faced with. This has driven up consumer demand for policies that have more significant levels of deductibles and member cost sharing. These policies are becoming more and more popular in the market because of the premium savings that they generate for the purchasers. This creates a couple of problems with respect to the MLR calculation. First, as already noted, lower premiums are generated for the higher deductible health plans that consumers want. However, it is not necessarily less costly to administer these programs than it is to administer richer benefit designs that carry higher premiums. Our organization invests heavily in quality improvement activities and other services that our members value. The cost of some of those activities and services will be able to be counted in the numerator of the MLR calculation but the cost of some of those services will not be able to be counted. As members migrate to lower cost benefit designs health plans will need to spread the same administrative costs over a much lower premium base making it more difficult to meet the minimum loss ratio requirement. Depending upon the average level of medical benefits being purchased by the consumer, one company's MLR may look very differently from another company's MLR when, in fact they provide the same level of service and have the same level of administrative expense. Again, this points out the flaws inherent in the MLR calculation as a means through which to assess the ultimate value being provided to the consumer. As a startup plan operating in the individual market, virtually all of our members are enrolling in these lower cost lower premium plans. This makes it more challenging to compete in the market because we have not yet established economies of scale relative to other plans. Some plans have expressed the intent to consider the reduction or elimination of services that many consumers find valuable. We do not believe that is the best result for Florida's consumers.

Our organization supports any and all reform efforts that result in greater access to high quality health care services for Americans. We believe strongly that a transition period between now and 2014 is critical to the success of this particular facet of the health care reform law. In that regard, we strongly urge the Department to reconsider its denial of Florida's request for an orderly transition to the new medical loss ratio standard. Thank you for your consideration.

Sincerely,

R. Bradford Bentley

R. Bradford Bentley
Senior Vice President – Underwriting, Actuarial & Regulatory Affairs
AvMed Health Plans

cc: Kevin McCarty
Florida Insurance Commissioner

Golden Rule®
A UnitedHealthcare Company

Dear Commissioner McCarty,

My name is Michael Corne, and I am Vice President, Health Products for Golden Rule Insurance Company. Our company is committed to creating a modern health care system that offers affordable access to health care for all Americans.

For more than 60 years, Golden Rule has offered a wide range of quality health insurance options to individuals and families, including lower-cost high deductible plans, health savings accounts and traditional plans.

Our products cover workers between jobs, new graduates who do not have insurance coverage through their parents, and others who purchase their own health insurance because they are retired, self-employed or because their employer does not offer employer-sponsored health insurance.

As you know, the Patient Protection and Affordable Care Act (PPACA) is a large, highly-complex piece of legislation that requires extensive federal rulemaking and substantial regulatory and process changes for states and insurance companies. Regulators and insurers have many questions that remain unresolved which make it difficult to answer all of the questions and concerns that consumers and our distribution partners have today.

In addition to many other requirements, PPACA includes new Medical Loss Ratio (MLR) standards that became effective on January 1, 2011. We remain concerned about the new MLR requirements and the unintended consequences and disruption for consumers.

With specific regard to the individual health insurance market, we are concerned that the current MLR requirement of 80 percent will create significant disruption in the market for the reasons outlined below:

1. **Insurers may stop selling to new customers.**

   Some insurers may conclude that their small scale will not allow them to cover the costs of distribution and administration of new business. As you know, individual market business is priced to a lifetime loss ratio. As a practical matter, the loss ratio pattern for underwritten medical business is not level over the lifetime of any given policy because there are typically lower medical loss ratios in the early years of a policy followed by higher medical loss ratios in later years. At the same time, administration and commission costs are highest in the first year of a new health insurance policy. The combination of high first-year costs to underwrite new business and potential consumer rebates because of low loss ratios in the early years could lead some carriers to cease new business sales. Without a phase-in of the 80 percent requirement or the latitude to use a rolling year method to calculate loss ratios, there may be the unintended consequence of less competition in the market.

2. **Insurers may exit the market rather than maintain a book of business at a loss.**

   Nationwide, our average individual premium rates are approximately half the cost of similar coverage in the group market, primarily because of individual underwriting. Administrative costs and commissions, however, are roughly equivalent on a per person basis. Therefore, as a percentage of premiums, individual product administrative costs are roughly twice as large as in the small group market. Consequently, compliance with the 80 percent loss ratio in the individual market will be very challenging relative to the small group market. Phasing-in the MLR over time will give carriers time to adjust internal cost structures to meet these new requirements.

3. **Customers may lose important resources for information if brokers are forced out of the marketplace.**

   Today, a significant proportion of individual health insurance in the market is purchased by consumers with the assistance of a professional licensed insurance broker. As a result, brokers are vital to the smooth functioning of the insurance market. Many consumers tell us they would not consider buying a complex product like health insurance without the help of an insurance professional.

Consumers rely upon brokers, as a single point of contact, to:

a) Present them with a wide variety of carriers, plan designs, and prices;
b) Help them select the best plan for them and navigate the enrollment and underwriting process; and
c) Provide assistance with service needs.

Because the price for individual health insurance is much lower, on average, than group insurance prices, and because of the considerable upfront investment in servicing new customers, broker commissions tend to be highest in the first year and much lower in the following years of a policy. For example, a typical schedule might feature a 20 percent first-year commission and 5 percent trailing commission.

Under an 80 percent MLR regime, 100 percent of first-year administrative and profit allowance will be consumed by the typical broker commission. Clearly this structure is unsustainable and has necessitated lower commission percentages for health insurance advisors. Substantially lower commissions result in fewer trusted advisors in the market to guide consumers.

In the absence of a robust broker distribution channel, consumers will be forced to contact each insurer, one at a time, to learn about all available options. Retaining these advisors is critical for those Floridians who rely on their services. By phasing-in medical loss ratios in the individual market, brokers and insurance companies will be able to adjust to the new market realities over a reasonable period of time and prevent an abrupt loss of services for Florida consumers.

4. Younger, healthier consumers may have fewer choices.

We are concerned that there will be fewer health insurance options available in the individual health insurance market for one of the largest segments of the uninsured population. At the lower commissions required to meet the new MLR rules, brokers may be unable to continue to offer these products to consumers and, therefore, leave young, healthier consumers with fewer health insurance alternatives.

In conclusion, we believe that implementing the 80 percent MLR requirements without an appropriate transition period may unintentionally destabilize the Florida individual health insurance market.

A transition period will permit insurers and brokers time to adjust their respective business models.

Golden Rule Insurance Company
7440 Woodland Drive
Indianapolis, Indiana 46278-1719
www.goldenrule.com

HUMANA®
Toll Free: 866-427-7478
P.O. Box 14601
Lexington, KY 40512-4601

January 6, 2012

Commissioner Kevin McCarty
Florida Office of Insurance Regulation
121B Larson Building
200 East Gaines Street
Tallahassee, FL 32399-0326

Dear Commissioner McCarty:

We greatly appreciate the time and effort your department put forth in applying with HHS for a transitional adjustment to the individual market medical loss ratio (MLR).

Obtaining an adjustment to the MLR for 2011 was significant given the publication date of the interim final federal regulation and the cycle for establishing premiums. Concerns of market destabilization were based on carriers finding it extremely difficult to implement necessary administrative cost reductions in time to affect much of the 2011 premium. Many of the modifications required contract changes that could not take effect immediately, rather in subsequent years.

A transition period with lower MLRs would allow carriers to fully implement the necessary administrative changes. It would also allow carriers with a relatively small block of business to adjust to an environment where the carrier bears the total cost of adverse experience without offsetting the losses with positive claims experience.

Generally speaking, carriers have not had the time to respond to expense pressure putting carriers in a loss position for the years leading up to 2014. This could significantly impair their ability to operationally prepare for the new environment and invest in creating post-2014 compliant products and exchange readiness.

Thank you for taking our comments into consideration.

Sincerely,

Steven DeRaleau
Vice President, Individual Market Segment
Humana Insurance Company

PREFERRED®
M·E·D·I·C·A·L P·L·A·N

4950 S.W. 8th Street • Coral Gables, FL 33134
(305) 447-8373

Dear Commissioner McCarty:

I write as President and CEO of Preferred Medical Plan, Inc. (PMP) in support of the Office of Insurance Regulation's (OIR) request for reconsideration, dated December 30, 2011, to the Department of Health and Human Services (HHS) regarding the denial of the request for adjustment of the medical loss ratio (MLR) on behalf of the State of Florida.

As you know, PMP serves about 26,000 members in the individual market, many of whom are of low socio-economic status but are not income qualified for government programs. (We also serve about 15,000 Medicaid managed care members.)

I offered testimony to the Office of Insurance Regulation and Florida Health Insurance Advisory Board Joint Public Hearing on September 24, 2010 in support of a waiver or modification of the 80% minimum medical loss ratio requirement (MLR) in the Patient Protection and Affordable Care Act (PPACA).

I believe the phase-in of the minimum MLR that OIR has proposed to HHS is a responsible approach to ensure ongoing, cost-effective product offerings and to ensure Florida is ready for an expanded individual market in the future pursuant to health reform. I remain extremely concerned that the imposition of the minimum MLR at 80% and the rebates now will significantly destabilize the individual marketplace. It will mean losing product offerings and benefits that those who have individual policies rely on. It could also mean the exit of players from the individual marketplace. As I did in my testimony, I want to stress the following points:

- We have already seen significant unintended consequences of certain PPACA mandates. However well-intended the acceleration of mandating guaranteed issue on children was, it has had the unintended consequence of a significant reduction in insurers and health plans offering child-only policies and placing new restrictions on child enrollment in other products.
- Plans have proceeded cautiously in offering PPACA-compliant benefits, in part, because of the 80% minimum MLR requirement, which has reduced overall product offerings in the state. I know I have had to narrow the individual product offerings PMP has made due to the MLR concern and other PPACA mandates. I think this trend will only intensify if the 80% MLR mandate goes into effect and will mean a further retrenchment in the FL individual market.
- The medical loss ratio requirement of 65% for insurers and 70% for HMOs in state statute recognizes the inherent risk of providing individual coverage over time in Florida.

An 80% minimum threshold does not recognize the inherent risk or significant administrative cost of such coverage.

- Individual policies in the marketplace now have premiums and benefits based on existing and historic market assumptions and state regulations. These cannot be immediately changed, especially given that design and premium assumptions are not based on an annual period but by durational periods.
- Insurers and plans have contracts with providers and subcontractors in place that cannot be changed immediately. Some of these contracts with administrative vendors go out multiple years. In addition, agent compensation contracts are often multiple years or require payments for the tenure of the individual enrolling in the individual policy. This is a significant cost borne by the health plan that cannot be terminated.
- Given the benefit, cost and premium assumptions, all of which led to a presumed return, and the higher administrative costs in the individual market, it is impossible for insurers offering individual policies to meet the 80% standard and still account for assumed margins and risk. This would be punitive and demonstrably impact the good-faith financial assumptions made by insurers.
- An immediate 80% minimum medical loss ratio on the individual market will create an environment where insurers exit or diminish choices rather than preparing for the launch of the Exchanges in 2014.

For all these reasons, I hope you continue to urge HHS to grant Florida a waiver consistent with what OIR has proposed in the past few months. If you have any questions, please do not hesitate to contact me.

Sincerely,

Miriam Hernandez on behalf of Tamara Meyerson

Tamara Meyerson