



GARRETT-STOTZ COMPANY

INSURANCE, EMPLOYEE BENEFITS & BONDS

May 19, 2011

The Honorable Steve Larsen
Deputy Administrator and Director
Center for Consumer Information and Oversight
Department of Health and Human Services
7500 Security Boulevard, Mail Stop C2-21-15
Baltimore MD 21244-1850

Dear Mr. Larsen:

I am writing on behalf of the Kentucky Association of Health Underwriters to express our strong support for the State of Kentucky's application for a Medical Loss Ratio (MLR) waiver. The MLR regulation as it stands adversely impacts the important consumer services that the health insurance producer community provides in a variety of settings. It also has the very real potential to drive producers out of business.

The State of Kentucky has 12,597 licensed insurance producers serving the state's insurance market every day. In addition, many agents have unlicensed support staff, although I would speculate most support people are licensed. These producers act in the best interest of their clients – the consumers – to mitigate insurance claims problems or claims denials, and to advocate for the best coverage and premiums by shopping around with different carriers. Producers are state licensed consumer advocates tasked to counsel consumers as they navigate the insurance market place and enroll them into coverage that is both affordable and appropriate for their needs. A customer's existing coverage may be too comprehensive or too lean, based on the health needs of the whole family. And for new buyers, they frequently have no idea about how to compare benefits and assess the cost to benefits value. Producers need to and deserve to be compensated for the critical services they provide. No other industry works for free.

Under the federal PPACA regulation, producer compensation associated with the sale of insurance products is to be included in the administrative portion of the MLR equation. As currently written, the regulation will diminish the role of and number of agents, and will also reduce the number of insurers willing to write health insurance in the individual and small-group markets. In order to meet the 80 percent MLR requirement for the individual and small group markets, the carriers, who collect the premiums for the agents, have decided to reduce the commission they pass on to agents for the agents' work. In Kentucky, we have seen commissions on individual business drop from 20% new and 5% on renewal to 15% new and 4% on renewal.

We fully support Kentucky's MLR waiver application. It is absolutely the only way that consumers in the state can survive in the new insurance world. Consumers were already overwhelmed by the sheer breadth of the information to read that they simply don't understand. If agents aren't paid to help them, they may well be too intimidated to make a coverage decision at all. That won't help the uninsured numbers. Kentucky has requested a waiver in the individual market to implement an MLR of 65% for 2011, 70% for 2012, and 75% for 2013 rather than the otherwise applicable 80% MLR for the individual market. The approval of Kentucky's application will ensure that the 12,597 producers in Kentucky will be able to continue working on behalf of the insurance-buying public so that they can make responsible insurance product and medical service decisions.

Thank you for your time and thorough consideration of Kentucky's MLR waiver application. If you have any questions, or simply want additional information, please contact me at 502-415-7015.

Respectfully submitted,

A handwritten signature in cursive script that reads "Don Mucci".

Don Mucci
Legislative Co-Chair,
Kentucky Association of Health Underwriters