



# MICHIGAN COUNCIL 25

American Federation of State, County, and Municipal Employees, AFL-CIO  
Detroit Office • 600 W. Lafayette, Ste. 500 • Detroit, Michigan 48226  
Phone: 313.964.1711 • 1.800.AFSCME25 • Fax: 313.964.0230 • www.miafscme.org

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Oct 27, 2011 10:53:54 WS# 20  
OSNUM: 102720111021  
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October 26, 2011

Secretary Kathleen Sebelius  
U.S. Department of Health and Human Services  
200 Independence Avenue SW  
Washington, D.C. 20201

## RE: Michigan's Request for Adjustment of Individual Market Medical Loss Ratio

Dear Secretary Sebelius:

On behalf of the 50,000 plus members of Michigan AFSCME Council 25, I am writing to urge you to deny the Michigan waiver request that would loosen standards for the individual market medical loss ratio (MLR) through 2014.

Granting this request will negatively impact access to affordable health insurance in Michigan. The Office of Financial and Insurance Regulation (OFIR) fails to satisfy its burden in justifying its request as either prudent or necessary. In fact the previous Director of Michigan OFIR laid out a clear case as to why no such request would be necessary.

OFIR weakly argues that the current requirement might cause insurers to leave the state and compromise the viability of Michigan's individual insurance market by pointing to the examples of MEGA Life and Health and American Community, two insurers that left the Michigan market **before** the MLR rules came into effect. It is a possibility that some poor performers may leave Michigan, but the risk of poor performers leaving the state will exist as long as there is an insurance market. The small risk of insurers leaving the market is far outweighed by the benefits to consumers that come with this MLR requirement, especially as Michigan residents continue to get hit hard by this difficult economy.

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This requirement is federal, so all fifty states (and relevant territories) will be dealing with the same rule unless given a waiver. A minor risk of a few small companies leaving should not prevent us from making the individual insurance market, a market that is especially skewed against consumers, more of a level playing field.

OFIR then argues that this requirement will endanger the profitability of affected insurance companies. Considering the fact that PPACA will afford insurers of new markets and builds in reasonable profits, this argument holds no water. In fact, the real danger is that the increased demand could, without the corresponding restraint of reasonable loss ratios result in higher costs pushing health care out of the reach of low and middle income citizens without costly federal subsidies.

The minimum loss ratio requirements are the most important health care cost restraint in PPACA. Allowing insurance companies to avoid implementing changes would render the requirement meaningless. Both the MLR requirement and OFIR's oversight activities is not to generate unreasonable profits for insurance companies. Rather, OFIR has a responsibility to protect consumer interests while maintaining the viability of Michigan's insurance market. The MLR requirements afford insurers reasonable profits. OFIR offers no evidence that the affected insurers will lose their viability in the market as a result of this requirement. But **not** enforcing this requirement directly harms consumers because they will lose their share of the millions in rebates that they are currently scheduled to receive.

Granting OFIR's request would undermine OFIR's fundamental mission. OFIR's charge is to "protect Michigan consumers by ensuring that the companies that it regulates are financially solvent, follow state *and federal* law, and are entitled to the public confidence." Wiggling out of the MLR does the exact opposite of protecting Michigan consumers – it allows insurance companies to engage in wasteful behavior and will contribute to unnecessary increases in premiums.

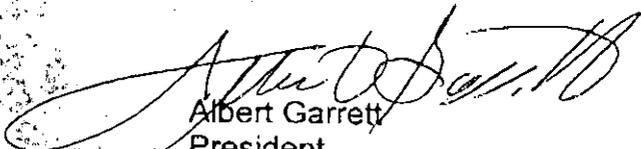
Granting Michigan's waiver request would undermine the fundamental goals of the Patient Protection and Affordable Care Act (PPACA). The insurance reforms included in PPACA, especially the new MLR requirement, are designed to restructure the insurance market by making care more accessible and affordable for consumers and to reign in wasteful practices in the private insurance market. Granting this request would only

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allow insurance companies to stick to their old ways and to avoid making tough business decisions, all at the expense of struggling consumers.

Thank you very much for considering our comments as you evaluate the Office of Financial and Insurance Regulation's request for adjusting the medical loss ratio requirement for Michigan's individual market. We sincerely hope that you deny this request.

Sincerely,



Albert Garrett  
President

c: President Gerald McEntee, AFSCME International  
Secretary-Treasurer Lee Sanders, AFSCME International