From: Robert Stone and Karen Green Stone [grostone@gmail.com]
Sent: Monday, October 10, 2011 7:15 PM
To: HHS MLR Adjustments (HHS)
Subject: Indiana MLRA Adjustment

The Honorable Kathleen Sebelius
Department of Health and Human Services
200 Independence Avenue, S.W.
Washington, D.C. 20201

Submitted Via Electronic Mail:
MLRAdjustments@hhs.gov

Indiana Adjustment Request

Dear Secretary Sebelius:

I am writing to oppose the request by the Indiana Insurance Commissioner to reduce the 80% minimum medical loss ratio (MLR) in Indiana. The Commissioner asks HHS to reduce the minimum medical loss ratio to 65% for 2011, raising it gradually over the next several years.

Insurance customers in Indiana have suffered in recent years. Health insurance premiums increased about 40 percent between 2003 and 2009 but wages have certainly not kept pace. The MLR will work to hold premiums down since insurers will have to put a fair share of premium dollars (at least 80%) toward medical care rather than their own administrative costs and profits. Insurers that fail to meet this minimum level of spending can reduce premiums or issue rebates to their customers.

It is profoundly disappointing that state officials want to turn back this important provision in order to bring back the old status quo of insurers raising premiums and limiting care with impunity. This would also deny consumers rebates of roughly $23 million in 2011 alone and many millions in the next several years.

The state has offered little support for this proposal. The commissioner proposes allowing insurers to spend as little 65% of premium dollars on medical care. By the time adjustments are made for the size of the plan and other factors, the real MLR will be only 55% to 60%, meaning that people who buy insurance will only see a little more than half of their premiums go to medical care.

There are many insurance carriers in Indiana so it is unlikely that the loss of a few insurers will cause any major disruption in our insurance market. According to the commissioner, five of the 60 issuers in the state's individual insurance market have stopped writing new policies in 2010 and 2011. But according to the documents submitted to HHS, the new MLR rule had nothing to do with their withdrawal. Furthermore, the Commissioner does not have any evidence that any other insurers are planning to leave the market. Most of the insurers in Indiana's individual insurance market are too small to be subject to the rebate credit, anyway, making the level of the MLR immaterial to them.

Indiana claims that issuers of “consumer-driven” health plans will have particular difficulty reaching the required 80%, but HHS has already made adjustments to the MLR calculation to take these plans into account. It’s unclear why low-benefit plans, whose high deductibles often make basic health care unaffordable to families, should be entitled to special rules.

The state estimates that rebates of $23.7 million will be paid to Indiana families in 2011 but did not estimate how much of this rebate would be lost if its request is granted. Given the low bar the state is attempting to set, it seems clear that almost all of the rebates would be lost under the proposal. Where families lose, insurance companies gain. In the first year alone, the state’s proposal would prevent Anthem from paying roughly $9 million in rebates, Golden Rule and its parent company United Healthcare would be spared paying $4.5 million and Humana would save roughly $800,000.

Indiana’s proposal attempts to gut a rule aimed at providing consumers with immediate relief and protection from the padded premiums insurers routinely charge. Granting this adjustment would cause harm to Indiana consumers and it should be rejected.

Sincerely,

Robert Stone MD, FACEP

Director, Hoosiers for a Commonsense Health Plan
State Coordinator and national Board member, Physicians for a National Health Program
Assistant Clinical Professor of Emergency Medicine, Indiana University School of Medicine