



LOUISIANA DEPARTMENT OF INSURANCE

JAMES J. DONELON
COMMISSIONER

December 8, 2011

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

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

Dear Mr. Larsen:

As you know, by letter dated November 27, 2011 the United States Department of Health and Human Services (HHS) denied the Louisiana Department of Insurance's (LDI) request for an adjustment to the Medical Loss Ratio (MLR) standard. This letter is to request reconsideration of that denial of the LDI's waiver request pursuant to 45 CFR 158.346 for the reasons set forth below.

It is my belief that lack of competition in Louisiana's health insurance market is increasingly causing increases in the cost of health insurance coverage for our state's consumers. In Louisiana there is one dominant health insurance company and while that company services its insureds in an exemplary fashion and employs over 1900 Louisiana citizens statewide, preserving competition in the interest of health insurance consumers is essential.

In its letter HHS stated that six of the top 10 health insurers writing individual policies in Louisiana, which includes the dominant health insurer in our state, had met the federal MLR standards. While the remaining four health insurers are able to pay rebates if the MLR standard was not met it would certainly impact their ability to operate profitably in our state and pressure them to eliminate expenses I consider vital to consumers accessing health insurance coverage such as agent's compensation. It is my opinion that the four health insurance companies writing individual policies would be hard pressed to continue to compete with the dominant health insurance company that has 73% of our individual market while paying rebates and restructuring their business practices to meet the looming MLR requirements. I believe the additional strain on these health insurance companies to meet the federal minimum standard, without a temporary adjustment to the MLR as requested, would lead to their inability to be competitive. Be aware that Louisiana recently lost a major insurer in the northwest corner of our state when the hospital-based Health Plus plan shut down after paying all of its claims and debts. Since I believe that the best way to control health insurance costs is through

competition in the private sector, I therefore believe a temporary adjustment to the MLR standard for individual policies is necessary.

Furthermore, health insurance companies have made adjustments to their business operations in order to meet the federal MLR requirements including an apparent reduction in agent commissions. These adjustments have had an adverse effect on the agent force and, as a result, will have a negative effect on the consumers of this state. Consumers rely on agents to be their expert source of information and primary source of assistance in the complex world of access to and affording of health insurance. As such, agents play a vital role in providing services to our consumers from the beginning of the policy term to the end of the policy term. These services include, but are not limited to:

- reviewing the marketplace for competitive and comprehensive benefit packages;
- meeting individually with consumers to discuss their health care needs and plan benefits;
- coordinating care with doctors, hospitals and pharmacists;
- assisting in the review of pharmacy benefits to help consumers in making the most cost-effective decision;
- assisting clientele in evaluating whether family members qualify for federal or state government assistance programs;
- facilitating claims handling;
- answering questions regarding policy benefits and coverage;
- assisting in resolving complaints against health insurance companies;
- contacting physicians and health insurance companies to resolve balance billing issues; and
- other services that may be required of them.

In light of the forgoing, I believe that agent's compensation should be accommodated for the invaluable services they provide consumers under the MLR for up to a 5% of premium cost which exceeds the average commission of the major health insurance companies doing business in our state. Agents are providing these services for Blue Cross Blue Shield of Louisiana, Coventry Health Insurance Company, Aetna Health Insurance Company and others doing business in our health insurance market for under 5% of premium cost.

If a waiver is not granted to companies competing with our dominant health insurance company, those health insurance companies are forced to make administrative changes that could diminish the role of the agent thereby driving all individuals to the dominant health insurance company that can already meet the required MLR requirements. If that happens, agents may be driven out of the marketplace leaving the consumer without quality customer service and less opportunity to have plans tailored to their specific needs. Without the MLR waiver requested herein there could be a detrimental impact on smaller health insurance companies who are dependent upon their agents to provide guidance, customer service and sales advice to health insurance customers.

Mr. Steven B. Larsen

Page 3

December 8, 2011

In closing, we appreciate the courtesy shown to us to date by HHS as we work through this process. I also want to take the opportunity to acknowledge the correctness of the data given by HHS on which its decision was based, which was different than the industry survey that was done in order to file our initial waiver request. For the purpose of reconsideration, we are using the same data which HHS used in making its decision in the denial of our waiver, which we now believe to be correct.

For the reasons specified above and in light of the health insurance companies' need for agent participation in order to compete with our dominant insurance carrier, we petition HHS to weigh the consequences for those health insurance companies that fall below the 80% MLR standard as it relates to their competitiveness in our individual market and reconsider your decision to deny a waiver of the 80% MLR requirement for the next three years. Your time and consideration of this request is greatly appreciated.

With best wishes and kindest personal regards, I remain

Very truly yours,

A handwritten signature in black ink, appearing to read "James J. Donelon". The signature is fluid and cursive, with a large loop at the beginning and a long, sweeping tail.

James J. Donelon

Commissioner of Insurance