



LOUISIANA DEPARTMENT OF INSURANCE

JAMES J. DONELON
COMMISSIONER

March 17, 2011

The Honorable Kathleen Sebelius
Secretary
U.S. Department of Health and Human Services
Hubert H. Humphrey Building
200 Independence Ave, SW
Washington, DC 20201

RE: Individual Health Insurance Market Medical Loss Ratio Waiver

Dear Madame Secretary:

Pursuant to the provisions of Section 2718 of the Public Health Service Act, the State of Louisiana submits a request for a waiver of the 80% minimum loss ratio (MLR) requirement for individual health insurance in Louisiana until 2014. Individual health insurance products are collectively referred to in Title 22 of the Louisiana Code as either "individual insurance" or "family group health and accident insurance." The waiver application is included herein.

A review of the language of the Affordable Care Act has raised concern that there may be unintended yet harmful provisions included. These provisions will, if implemented as written, be disruptive and detrimental to Louisiana's market. As currently proposed, implementing the 80% loss ratio in the individual market will act to decrease consumer choice, make coverage more expensive and less readily available, and work to drive valuable trained producers out of the market just when they are needed the most.

Louisiana does not specify a loss ratio requirement for health insurance products in statute. Data collected regarding the individual health insurance market indicates an aggregate loss ratio for 2010 of 79% in Louisiana's individual marketplace. If the largest carrier in our market is factored out of that data, the loss ratio for the remaining carriers drops to 67%. To that end, Louisiana requests a waiver of the minimum loss ratio requirement for individual health insurance products until 2014, in accordance with Section 2718 of the Public Health Service Act. Instead, Louisiana respectfully requests that the following loss ratio be substituted and phased in: 70% in 2011, 75% in 2012, and reach the legislated 80% in 2013.

Absent this requested waiver, the Louisiana Department of Insurance believes that the 80% minimum loss ratio will significantly disrupt the individual health insurance market. Louisiana's market is dominated by a single carrier, although other smaller carriers remain competitive. These smaller carriers may be disincented to remain in our market if they cannot continue to compete while working to get to the MLR in 2014. We have had some small carriers leave or discontinue selling in our marketplace since the adoption of the Affordable Care Act and we do not believe it is in the best interest of Louisianans for others to do so. Further, we believe that it is not in their best interests for the market to be dominated by a single large carrier. This can only lead to less competition and higher premium costs.

Individual health insurance is primarily purchased through insurance producers (agents) in Louisiana. Tightening the loss ratio for insurance products has carriers working to cut expenses, and many are considering decreasing commissions to these producers as part of the way to meet the MLR. Further, these arrangements are contractual between the carrier and the producer. Changing these contracts will take time. Also, it is our belief that producers provide a valuable service to the consumers they serve, and having some leave their business because they cannot be adequately compensated we believe will be extremely detrimental to the marketplace.

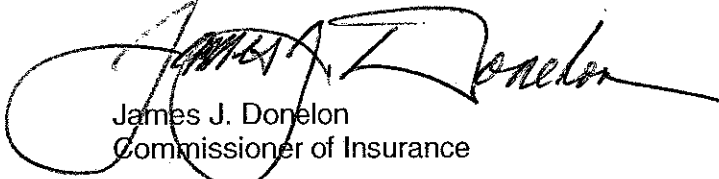
Therefore, we would ask that you strongly and urgently consider Louisiana's MLR waiver request for gradually phasing in the minimum loss ratio requirements so disruption in the marketplace is avoided.

Please note that the data collected was conducted through a market conduct data call due to concerns expressed by carriers over the maintenance of confidentiality of this information. Pursuant to LSA-R.S. 22:1981 et seq., the commissioner shall treat such information as confidential and may release it if the recipient agrees to the same confidential treatment. Therefore, in the absence of an agreement, data is being reported in the aggregate to comport with the requirements of LSA-R.S. 22:1981 et seq. In the event HHS requests that specific information is required of each carrier, it is our hope that HHS will consider the above provisions and agree to maintain the confidentiality of the data to be reported.

Thank you for your consideration of this MLR waiver request. Please feel free to contact me at (225) 342-5423 or Scott Kipper, Deputy Commissioner, Office of Health at (225) 342-1355 if you have any questions.

With best wishes and kindest personal regards, I remain

Very truly yours,



James J. Donelon
Commissioner of Insurance

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