

Testimony by the National Association of Insurance and Financial Advisors – Florida (NAIFA – Florida) to the joint public hearing by the Florida Office of Insurance Regulation and the Florida Health Insurance Advisory Board

Tuesday, May 4, 2010

Good afternoon Commissioner McCarty, Deputy Commissioner Senkewicz and members of the Health Insurance Advisory Board.

I am Mark Tiralosi, President of the National Association of Insurance and Financial Advisors – Florida. I am also the Vice-President of Sihle Financial Services and have worked in this industry since 1991. We would like to thank you for holding this hearing on this very important issue to our country and to the people of Florida.

Commissioner McCarty, let me begin by thanking you for your work for Floridians. But let me also thank you for your service as an Officer with the National Association of Insurance Commissioners which will play a crucial role in instituting national health reforms.

In January you spoke at the Florida Health Care Summit that we co-sponsored with the Florida Association of Health Underwriters and discussed your concerns regarding required medical loss ratios. Thank you for continuing to focus on this part of the Patient Protection and Affordable Care Act.

We see this requirement as being problematic in a number of ways. In your remarks to the attendees at the Summit you registered concern for insurer solvency if rate approval authority was transferred to Washington D.C. You said that a potential requirement for medical loss ratios to be 80 percent or higher could further compound such solvency problems. Further you said that many believe that such a loss ratio is simply unattainable, particularly within the small group market.

While, fortunately, rate approval authority has not been transferred to Washington, in some sense we have the federal government mandating rates. Worse, they have instituted a one-size-fits-all approach to 50 different states which have 50 different sets of regulations and mandates by instituting these MLR requirements. And these static ratios are based on a thousand page bill to be instituted over the next four years. Are we to believe that such a monumental piece of legislation will not create additional costs?

This, we feel, is a prescription for disaster. At this time I would like to introduce Terri Seefeldt to discuss a few of our concerns ---- Terri.

Thank you Mark. Commissioner McCarty and members of the Board, I am Terri Seefeldt. I am the sales manager for Rogers Benefit Group. I am the Secretary/Treasurer for NAIFA-Florida where also have served as Health Insurance Chair, and I have been a member of FAHU for 22 years.

The Health Care Reform Law establishes that starting next year, minimum loss ratios for the individual and small group segments will have to be 80 percent and for large group segments they will have to be 85 percent. A review of the Health Maintenance Organization MLRs in the 2009 Annual Report of the Office of Insurance Regulation shows MLRs ranging from the high 70's to the low 90's – with the predominant number being in the mid 80's. This, despite the fact that the Florida Administrative Rule regarding the Reasonableness of Benefits with Relation to Premiums requires minimal MLRs of 45 to 75 percent – surely no H.M.O.s in Florida are threatening to undercut those minimums (690-149.005).

In fact, we have reviewed the MLRs for numerous insurers in the Central Florida area and found them ranging from 79% to 86% - certainly within striking distance of the new requirements. In fact, the Senate Commerce Committee on medical loss ratios – using data from the NAIC - said that the established MLR minimums were determined by CBO data that determined a majority of insurers were meeting those minimums on a national basis.

To explain this further, let's say I am with Healthcare Plan A and I do a really great job of negotiating with the doctors and the hospitals. I get my members to participate in wellness programs. My case managers and disease managers do a terrific job of identifying issues and working them efficiently. I am successful at getting members to switch from more expensive brand name drugs to generic drugs. And, as a result of getting my insured population utilizing health care services in a more cost effective manner, my loss ratios drop to 75%. Should there not be an incentive as a carrier to do what is right in trying to address the spiraling cost of healthcare? Does rebating that amount create such an incentive

One of the agents we work with actually received a call within days of this legislation passing from an employer who employs approximately 70 employees. He wanted to get his claims runs. When the agent asked him why he wanted those - as he didn't renew until November - he stated that he was trying to figure out his loss ratio so he could see about getting his rebate check! This is obviously causing confusion in the marketplace already.

But in many of the aforementioned statistics - we are still bumping up against the new 80 to 85 percent M.L.R. minimums and often exceeding them. Therefore, 15 to 20 cents out of every premium dollar is all that can be devoted to ALL administration costs, overhead and profit – and when medical costs spike there won't even be that much. When we asked one of your former top staffers what he thought would happen if these MLRs are instituted in Florida, the response was *the new required medical loss ratios will drive most private companies out of the market.*

Florida cannot be compared with many other states with regard to health insurance. State law mandates one of the most comprehensive packages of coverage in the nation. The size and breadth of our state is matched only by its ethnic, cultural and geographic diversity. In a perfect world we would mandate that any human malady be covered and that premiums be affordable to all. But we do not live in such a world – so we have to find a balance - a middle ground if you will. That middle ground is going to be different in Florida than it will be in any of the other 50 states.

We met with an aide from Congressman Alan Grayson's office last summer. She was remarking about how upset and emotional people were getting over the health care reform bill, and this was *prior* to the emotionally charged Town Hall meetings we saw take place around the country.

I tried to explain to her that it is emotional and it is personal. We are not insuring houses or cars. We are insuring people: Their children, their parents, themselves. When people mess with something that affects them that closely and personally, it is the equivalent of life and death.

I told her that is the type of atmosphere that health insurance agents deal in on a daily basis. When someone can't get into to see a doctor or get the medications they want, they feel their health, and potentially their life is being jeopardized and they get quite emotional.

When rates jump and they get that premium hike in the mail who do you think they call? Health insurance agents try to get everything back on track and coordinate the care between the health insurance carriers, the member and their providers. We do it all day long, and I have done it for over 22 years. With all due respect to the folks at GEICO - you can't sell health insurance with a website and a lizard that sounds like Crocodile Dundee.

As agents and advisors our compensation is a small part of the 15 to 20 cents per premium dollar that I mentioned. We are seriously concerned about the downward pressure this loss ratio is going to have on our livelihoods and the

corresponding ability to educate businesses and others about their health insurance options. We hope that in your efforts to correct these issues that you protect this vital relationship.

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Bob Lotane – draft copy