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MEMORANDUM

TO: ALL HEALTH CARRIERS OPERATING IN THE STATE OF FLORIDA

FROM: KEVIN M. McCARTY, INSURANCE COMMISSONER

RE: MEDICAL LOSS RATIOS

DATE: SEPTEMBER 10, 2010

As you are aware, the federal health reform bill, the Affordable Care Act (ACA), sets minimum medical loss ratio standards at 80% in the individual major medical health insurance market. This standard comes into effect very quickly, starting with 2011 plan years. Carriers that do not meet the standard will have to provide rebates beginning in 2012.

As Insurance Commissioner, I am concerned about the ability of our individual carriers to meet that standard in a seamless, nondisruptive manner. Present requirements of Florida regulation set the medical loss ratio requirement at 65% for insurers and 70% for HMOs. The ACA gives the Secretary of the U.S. Department of Health and Human Services (HHS) the ability to "adjust such percentage with respect to a State if the Secretary determines that the application of such 80 percent may destabilize the individual market in such State."

The Office of Insurance Regulation (Office) held a joint hearing on May 4, 2010 with the Florida Health Insurance Advisory Board (FHIAB). Preliminary concerns were expressed by carriers and health insurance agents about the potential effects of the new standard. The Office, in conjunction with FHIAB, will hold another hearing on the issue on September 24, 2010, in Tallahassee, Florida. In order to develop an evidentiary record on the matter, the Office is soliciting written testimony about the potential for destabilization in the individual market of implementation of the 80% standard in 2011 and beyond until full reform takes effect in 2014.

I invite all health carriers and agents, as well as the public, to attend the hearing on September 24, 2010. The record will remain open until October 1, 2010, for the submission of written testimony and/or affidavits pertaining to the potential destabilizing effect of the new standard.

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If you are interested in presenting oral testimony at the hearing, please contact Deputy Commissioner Mary Beth Senkewicz (contact information below).

The Office intends to compile the record, and if the record justifies such, to petition the Secretary to adjust the percentage as stated in ACA (once the official guidance on how to petition has been issued by HHS).

I look forward to your testimony and to seeing you in Tallahassee.

Hearing Information:

When: Friday, September 24, 2010, 10:00 a.m. – 12:30 p.m.

Where: Room 401, Senate Office Building

Submission of Written Testimony:

Mary Beth Senkewicz, Deputy Commissioner, Life and Health

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