Exhibit B

Committee Majority Staff Reports

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

OFFICE OF OVERSIGHT AND INVESTIGATIONS
MAJORITY STAFF

IMPLEMENTING HEALTH INSURANCE REFORM: NEW MEDICAL LOSS RATIO INFORMATION FOR POLICYMAKERS AND CONSUMERS

Staff Report for Chairman Rockefeller
April 15, 2010

Executive Summary

Since August 2009, the Senate Commerce Committee has been investigating how commercial insurance companies spend the billions of dollars of premiums that American consumers pay them every year for health care coverage. One of the basic financial indicators that insurers, investors, insurance commissioners, and policymakers look at to understand how premium dollars are being used is the "medical loss ratio." This staff report provides an update on the Committee's investigation, including a review of new 2009 medical loss ratio information that health insurers recently filed with their regulators.

The 2009 medical loss ratio results shows that there continues to be a large disparity between patient medical spending in the large group market, and spending in the individual and small group markets. According to their own data, last year the largest insurers used about 15 cents out of every large group premium dollar for administrative costs and profits, while more than 26 cents out of every premium dollar went to administrative costs and profits in the individual market.

This staff report also discusses the new minimum medical loss ratios that became law as part of the health care reform legislation President Obama signed last month. The goal of the medical loss ratio provision of the new health care law is to make sure that consumers get the full benefit of the health care premiums they pay insurers. As this report discusses, the insurance industry is beginning to consider the financial impact of the new minimum medical loss ratio requirements. At least one company, WellPoint, has already "reclassified" more than half a billion dollars of administrative expenses as medical expenses, and a leading industry analyst recently released a report explaining how the new law gives for-profit insurers a powerful new incentive to "MLR shift" their previously identified administrative expenses.

As the National Association of Insurance Commissioners (NAIC) and the Department of Health and Human Services (HHS) work to implement the new statutorily required medical loss ratios, they need to make sure that insurers are spending consumers' premium dollars on delivering health care and improving the quality of this care. Boosting medical loss ratios through creative accounting will not fulfill the new law's goal of helping consumers realize the full value of their health insurance payments.

I. Background on the Medical Loss Ratio

In the commercial health insurance industry, "medical loss ratio" refers to the percentage of each premium dollar that insurers spend on providing health care to their customers. For example, if an insurer uses 80 cents out of every premium dollar to pay its customers' medical claims, the company has a medical loss ratio of 80%. A medical loss ratio of 80% indicates that the insurer is using the remaining 20 cents of each premium dollar to pay expenses that do not directly benefit policyholders, such as salaries, advertising, agent commissions, overhead, and profits.

Regulators, policymakers, and investors look to the medical loss ratio as a basic indicator of an insurer's efficiency in delivering services and of its financial condition. While investors view a stable or declining medical loss ratio as an indicator that an insurer is controlling risk and is more likely to be profitable, consumers and policymakers view low medical loss ratios as evidence that an insurer is spending too much money on administration and profits, and not enough on medical care.[1]

In order to make sure that consumers are getting sufficient value for their health insurance premium dollars, many states have established "minimum medical loss ratios," which require insurers to spend greater than a specified percentage of every premium dollar on medical care. For example, the State of New Jersey requires all insurers selling individual health care policies in the state to maintain a medical loss ratio of 80% or higher.[2] The health care reform bill signed into law in March 2010 established for the first time federally required minimum medical loss ratios in the individual and group health insurance markets.

II. The Commerce Committee's Investigation

On August 21, 2009, the Senate Commerce Committee opened an investigation into the health insurance industry focusing on medical loss ratios. Chairman Rockefeller sent letters to the 15 largest health insurers asking for more information about how these companies spend their policyholders' premium dollars. The letters asked the companies to provide medical loss ratio information broken down by state, and by the individual, small group, and large group market segments.

While most of the companies that received the August 21 letter responded voluntarily to the Chairman's request, the largest for-profit health insurers resisted Chairman Rockefeller's request for medical loss ratio broken down by market segment and state. Although these companies routinely provide overall medical loss ratio data to their investors in financial filings and conference calls, they informed the Committee that medical loss ratio information broken down by state and market segment was "proprietary" and "business sensitive." These companies' failure to voluntarily provide this information was troubling because segmented medical loss ratios are extremely useful information for individuals or small businesses trying to purchase health insurance in a particular market.

Because the largest for-profit companies were reluctant to voluntarily share their medical loss information broken out in a way that would be helpful for consumers, the Committee began collecting this information from 2008 "Accident & Health Policy Experience Exhibit" forms that the companies filed with the National Association of Insurance Commissioners (NAIC). Chairman Rockefeller presented an analysis of this segment-by-segment medical loss ratio

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[1] For an extended discussion of medical loss ratios, see Letter from Chairman Rockefeller to Mr. H. Edward Hanway, Chairman and CEO of CIGNA (Nov. 2, 2009)(online at: http://commerce.senate.gov/public/index.cfm?p=HearingsandPressReleases&ContentRecord_id=dab514f7-1fc7-496b-a8b8-712987792fa8&ContentType_id=77eb43da-aa94-497d-a73f-5c951ff72372&Group_id=165806cd-d931-4605-aa86-7fafc5fd3536&MonthDisplay=11&YearDisplay=2009).

[2] N.J. Stat. Ann. §17B:27A-25 and §17B:27A-9, as amended by S.B. 1557 (2008).

information in a letter he sent to the CEO of CIGNA, Mr. Edward Hanway, on November 2, 2009.[3]

The analysis found that the largest for-profit health insurers spend a lower percentage of their customers' premium dollars on patient care than other health insurers. The analysis also found that in the individual and small group markets, health insurers spend a significantly smaller portion of each premium dollar on medical care than they do in the large group market. For example, UnitedHealth told its investors that the company's overall 2008 medical loss ratio was 82%.[4] But the NAIC filings revealed that the company's medical loss ratio was 71% in the individual market, 79% in the small group market, and 84% in the large group market.[5]

III. New Medical Loss Ratio Information from Recent 2009 Regulatory Filings

Insurers recently filed their 2009 Accident and Health Experience Exhibits and Committee staff has reviewed the medical loss information the six largest for-profit companies provided in these filings. The 2009 data, along with an updated version of the 2008 data, are presented in a summary table below (Table I) and in more detailed tables at the end of this report.

	Individual		Small Group		Large Group	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
Aetna	75.7%	73.9%	84.2%	82.0%	87.2%	82.0%
CIGNA	88.1%	86.9%	92.1%	---	85.2%	37.2%
Coventry	71.9%	65.8%	78.2%	79.1%	86.0%	82.7%
Humana	68.1%	71.9%	80.0%	77.2%	88.2%	82.4%
UnitedHealth	70.5%	70.3%	81.1%	78.7%	83.3%	83.5%
WellPoint	74.9%	73.1%	81.2%	79.0%	84.9%	85.2%
TOTAL	**73.6%**	**72.5%**	**81.2%**	**79.7%**	**85.1%**	**83.9%**

TABLE I – 2009 Medical Loss Ratios by Market Segment – Largest For-Profit Insurers

The data presented in these tables show that the largest for-profit insurers modestly increased the percentage of premium dollars they spent on medical care in 2009. But the 2009 data also show that despite these increases, the disparities in medical spending between market segments remained as large as ever. Demonstrating a spread of more than 11 percentage points, insurers extracted a larger portion of premium dollars paid by their individual and small business customers for administration and profits than they did for their large group customers. For example, while these six insurers used about 15 cents out of every large group premium dollar

3 *Supra*, note 1.

4 *Id.*

5 *Id.*

for medical expenses, they used more than 26 cents out of every individual premium dollar for medical expenses.

IV. Medical Loss Ratios in the Health Care Reform Legislation

In response to concerns that insurers were not spending a large enough portion of health insurance premiums on medical care in the individual and small business markets, Congress created federally required minimum medical loss ratio requirements in the Patient Protection and Affordable Care Act (PPACA), the health care reforms President Obama signed into law on March 23, 2010.[6] Under the law, starting in 2011, insurers will have to meet minimum medical loss ratios or else provide rebates to consumers based on the amount insurers' spending falls below these minimums. PPACA establishes a minimum loss ratio of 80% for the individual and small group health insurance segments, and 85% for the large group segment. The decision to establish minimum medical loss ratios at these levels was guided by the Congressional Budget Office's determination that the majority of insurers were already providing benefits to their customers at or above these levels.[7]

The following example illustrates how this rebate process will work under the new law: if an insurer collected $100 million in premiums from business owners for small group coverage, but only spent 78% of these premiums on medical care, the law requires the insurer to rebate 2% of the premiums collected ($2 million) to the policyholders on a pro rata basis.

A crucial issue in the implementation of this provision is clarifying which expenditures insurance companies will be able to consider medical expenses and which expenditures they will have to treat as administrative.[8] While NAIC accounting rules define "medical loss" as the value of medical claims an insurer has actually paid ("incurred claims"), plus the amount of money the insurer sets aside to pay future claims ("contract reserves"), the new law will potentially allow insurers to classify a broader set of expenditures as medical.[9]

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[6] Sec. 2718 of Title XXVII, Part A of the Public Health Service Act, as added by Sec. 10101(a) of Title X of the Patient Protection and Affordable Care Act, Pub. L. 111-148 (2010) (hereinafter "PPACA MLR provision").

[7] Congressional Budget Office, *Budgetary Treatment of Proposals to Regulate Medical Loss Ratios* (Dec. 13, 2009) (online at: http://www.cbo.gov/ftpdocs/107xx/doc10731/MLR_and_budgetary_treatment.pdf).

[8] In the insurance industry, non-medical expenses are generally called "SG&A" (Sales, General and Administrative) expenses.

[9] NAIC's instructions for the 2008 Accident & Health Policy Experience Exhibit define "loss ratio" as "the ratio of Incurred Claims (Column 2) plus the Change in Contract Reserves (Column 3) to Earned Premiums (Column 1)." *Official NAIC Annual Statement Instructions: Health*, 359 (Aug. 2008). NAIC accounting guidelines currently allow insurers to designate certain non-claims expenses as "cost containment expenses." These expenses include fraud prevention, case management, network access fees, and consumer education. NAIC, *SSAP No. 85: Claims Adjustment Expenses, Amendments to SSAP No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses* (June 10, 2002).

Under the new law, insurers will be able to consider expenditures on "activities that improve health care quality" as medical expenses for the purpose of calculating medical loss ratios.[10] For example, if an insurer spends 78% of its small group premiums paying claims and 2% on quality-improving activities, it will have met the law's 80% minimum medical loss ratio requirement. The law instructs the National Association of Insurance Commissioners, subject to the certification of the Secretary of Health and Human Services, to establish uniform definitions of "activities that improve health care quality" and "non-claims costs." [11]

V. Implications of the New Law on the Commercial Health Industry

Any health insurer currently spending less than the new federally-established minimum medical loss ratios on medical claims can continue doing so, but will be subject to the law's rebate requirements. The new law therefore creates new incentives for insurers to make changes to their cost structures and their accounting practices that may raise their medical loss ratios to the new minimum levels of 80% in the individual and small group segments, and 85% in the large group segment. As the example discussed above illustrated, if the insurer spending 78% on small group claims can find a way to classify 2% of its expenditures as medical instead of administrative, it can retain the $2 million it would have otherwise had to return to its policyholders.

Both insurance companies and industry analysts have started recognizing that the implementation of the PPACA's "quality of care" expense category will have a major impact on the insurance industry's bottom line over the next several years. A recent announcement about accounting changes by insurance giant WellPoint is a first indication of how for-profit insurers will approach this issue. In the company's most recent investor call, WellPoint executives announced that the company has started "reclassifying" certain expenses that the company had traditionally classified as administrative expenses. This reclassification involved expenditures on the following items:

- "Nurse hotline";
- "Health and wellness, including disease management and medical management"; and
- "Clinical health policy."[12]

By reclassifying these expenses as medical benefits, the executives projected that WellPoint's 2010 medical loss ratio (which the company calls its "benefit expense ratio") would increase by 170 basis points, or 1.7%.[13] Because WellPoint expects to collect more than $30

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[10] PPACA MLR provision, (b)(1). This subsection also allows insurers to subtract certain tax payments and fees from their premium calculation.

[11] PPACA MLR provision, (c).

[12] WellPoint investor call and PowerPoint presentation, "WellPoint, Inc. 2010 Financial Outlook Review," at 9 (Mar. 17, 2009) (online at: http://ir.wellpoint.com/phoenix.zhtml?c=130104&p=irol-calendar).

[13] *Id,* at 8.

billion in premiums from its commercial health care customers in 2010, this "accounting reclassification" means that the company has converted more than a half a billion dollars of this year's administrative expenses into medical expenses.

A report issued by health care industry analyst Carl McDonald of Oppenheimer & Co., on April 8, 2010, directly addresses the financial implications for-profit health insurers will face when the new minimum medical loss ratios go into effect next year.[14] McDonald predicts that companies will review their current spending and attempt to shift as many expenses as possible from administrative to medical. In one scenario, McDonald posits an "MLR shift" of 500 basis points, or 5%. He concludes that a key to the insurance industry's profitability over the next several years will be "how much MLR recharacterization the HHS Secretary allows."[15]

A crucial part of this profitability analysis is understanding how the new minimum medical loss ratio requirements will affect insurers at the "statutory entity" level. The medical loss ratio data presented in Table I of this report represents an average of the financial performance of the six companies' numerous subsidiaries. WellPoint's numbers, for example, represent the combined medical loss ratios of 27 separate statutory entities, and there is a broad range of medical loss ratios among these entities.[16]

Table II below presents the 2009 medical loss ratios of six large, state-based WellPoint subsidiaries. A table at the end of this report presents the 2009 data that all of WellPoint's subsidiaries have filed to date with the NAIC. These results show that some WellPoint subsidiaries have medical loss ratios in particular markets that already exceed the minimum medical loss ratios set in the new health care reform bill. Examples are Blue Cross Blue Shield of Georgia's large group business (86%) and Anthem of Kentucky's small group business (80.9%).

	Individual	Small Group	Large Group
Anthem Health Plans of NH	62.9%	87.9%	88.4%
Anthem Health Plans of VA	72.1%	66.6%	79.4%
Rocky Mountain Hospital & Medical	74.1%	79.9%	83.1%
Blue Cross Blue Shield of GA	75.5%	78.0%	86.0%
Anthem Health Plans of KY	79.4%	80.9%	82.0%
Anthem Health Plans of ME	95.2%	86.9%	89.5%

TABLE II – 2009 Medical Loss Ratios for Selected WellPoint Subsidiaries

[14] Carl McDonald and James Naklicki, Oppenheimer & Co. Inc. Equity Research Industry Update, *The Average Person Thinks He Isn't – Minimum Medical Loss Ratio Analysis* (Apr. 8, 2010).

[15] *Id*, at 1.

[16] The NAIC data does not contain information about the WellPoint subsidiary Blue Cross of California, since that subsidiary is regulated by the California Department of Managed Health Care.

But many other subsidiaries have medical loss ratios that fall below – and sometimes significantly below – the new minimum standards in particular markets. For example, Blue Cross Blue Shield of Georgia's 2009 medical loss ratio in the individual market (75.5%) is 4.5% below the new federal minimum, and Anthem of Kentucky's large group ratio (82%) is 3% below the new minimum. As the Oppenheimer report points out, markets where WellPoint subsidiaries have low medical loss ratios are "the most profitable tail" of WellPoint's business. The threat the new minimum medical loss ratios pose to insurers like WellPoint is that once the law is applied to these markets, "these very profitable regions immediately have to become markets of average profitability, whereas the less profitable markets stay less profitable."[17]

Given this dynamic, companies that have medical loss ratios below 80% in the individual and small groups markets, and below 85% in the large group market, will be under pressure to perform "MLR shifts" that bring their ratios closer to the new federal minimums. Every basis point these companies can shift from the "administrative" to the "medical" expense column is money these companies can retain as potential profit, rather than refund to their policyholders. In response to these pressures, the Department of Health and Human Services and state insurance commissioners will have to remain vigilant and focused on ensuring that consumers get the benefit of the new federally mandated medical loss ratios.

[17] *Id*, at 2.

Premiums, Claims, and Loss Ratios

Comprehensive Major Medical Insurance for the 6 Largest Public Insurance Companies (2008)

	Individual			Small Employer			Large Employer		
	Premiums	*Paid Claims + Change in Contract Reserves*	***Loss Ratio***	*Premiums*	*Paid Claims + Change in Contract Reserves*	***Loss Ratio***	*Premiums*	*Paid Claims + Change in Contract Reserves*	***Loss Ratio***
Aetna	$843,692,044	$623,084,229	**73.9%**	$8,875,867,031	$7,282,001,694	**82.0%**	$5,459,969,978	$4,479,111,894	**82.0%**
CIGNA	$61,571,932	$53,515,318	**86.9%**	$0	$0	**--**	$12,609,503	$4,689,330	**37.2%**
Coventry	$121,003,570	$79,610,830	**65.8%**	$942,048,835	$744,761,391	**79.1%**	$2,108,245,345	$1,743,470,356	**82.7%**
Humana	$464,653,831	$334,037,576	**71.9%**	$2,556,931,493	$1,974,696,888	**77.2%**	$2,831,401,783	$2,332,915,906	**82.4%**
UnitedHealth	$1,590,952,160	$1,118,978,059	**70.3%**	$8,464,932,032	$6,658,701,925	**78.7%**	$13,421,315,270	$11,203,629,006	**83.5%**
WellPoint	$4,760,267,838	$3,479,737,544	**73.1%**	$7,106,213,785	$5,615,971,146	**79.0%**	$17,148,822,998	$14,607,861,149	**85.2%**
Total	**$7,842,141,375**	**$5,688,963,556**	72.5%	**$27,945,993,176**	**$22,276,133,044**	79.7%	**$40,982,364,877**	**$34,371,677,641**	83.9%

Notes

*Data is based on Accident and Health Policy Experience Exhibit (A&H Policy Exhibit) filings made by the companies and their subsidiaries with the National Association of Insurance Commissioners (NAIC). In the A&H Policy Exhibits, data about comprehensive medical insurance sold to individuals is under the heading "Individual, Comprehensive Major Medical With Contract Reserves." Data about comprehensive medical insurance sold to small employers (usually between 2-50 employees) is reported under the heading "Group Business Comprehensive Major Medical, Single Employer, Small Employer." Data about major medical insurance sold to large employers is reported under the heading "Group Business Comprehensive Major Medical, Single Employer, Other Employer."

*NAIC's calculation of Loss Ratio is "Paid Claims plus Change in Contract Reserves" divided by "Earned Premiums." The change in contract reserves generally does not significantly affect the loss ratio, but is included in the above calculations.

*Data is limited to fully-insured business, comprehensive major medical insurance. Self-insured, administrative-services only, FEHB, Tricare and Medicare are not included in this chart.

*Data does not include information about entities regulated by the California Department of Managed Health Care (DMHC), because such entities do not file A&H Policy Exhibits with NAIC. Companies that have substantial amounts of major medical business and file with DMHC include, but are not limited to: Blue Cross of California (a WellPoint subsidiary) and PacifiCare of California (a UnitedHealth subsidiary).

*In 2008, Golden Rule, a UnitedHealth subsidiary, sold the bulk of its individual insurance through associations and other groups, therefore it is not represented as Individual Business in the A&H Policy Exhibit, but rather is reported as "other associations and discretionary trusts." The above individual number for UnitedHealth, however, includes Golden Rule premiums and claims as reported in Golden Rule's A&H Policy Exhibit. Without Golden Rule, UnitedHealth's individual premiums would be $585,335,682, its claims would be $485,607,210, and its loss ratio would be 82.5%.

*NAIC data includes full year financial data for companies acquired by Humana rather than just the data following their acquisition. The NAIC data does not include Humana's Puerto Rico operations.

Premiums, Claims, and Loss Ratios

Comprehensive Major Medical Insurance for the 6 Largest Public Insurance Companies (2009)

	Individual			Small Employer			Large Employer		
	Premiums	*Paid Claims + Change in Contract Reserves*	**Loss Ratio**	*Premiums*	*Paid Claims + Change in Contract Reserves*	**Loss Ratio**	*Premiums*	*Paid Claims + Change in Contract Reserves*	**Loss Ratio**
Aetna	$1,067,373,961	$808,241,274	**75.7%**	$4,152,377,642	$3,495,634,331	**84.2%**	$10,751,303,688	$9,378,310,007	**87.2%**
CIGNA	$67,909,705	$59,807,847	**88.1%**	$171,979,619	$158,473,605	**92.1%**	$4,281,882,762	$3,647,976,925	**85.2%**
Coventry	$189,101,595	$136,043,183	**71.9%**	$1,691,895,784	$1,322,747,647	**78.2%**	$2,643,919,441	$2,273,910,960	**86.0%**
Humana	$602,807,555	$410,241,077	**68.1%**	$2,127,994,874	$1,703,155,307	**80.0%**	$3,040,915,262	$2,683,218,711	**88.2%**
UnitedHealth	$1,749,375,707	$1,233,295,538	**70.5%**	$11,013,011,550	$8,930,641,286	**81.1%**	$17,907,779,538	$14,910,470,924	**83.3%**
WellPoint	$4,429,058,685	$3,318,569,293	**74.9%**	$8,678,606,642	$7,050,269,009	**81.2%**	$11,840,078,917	$10,051,310,004	**84.9%**
Total	**$8,105,627,208**	**$5,966,198,212**	73.6%	**$27,835,866,111**	**$22,600,921,185**	81.2%	**$50,465,879,608**	**$42,945,197,531**	85.1%

Notes

*Data is based on Accident and Health Policy Experience Exhibit (A&H Policy Exhibit) filings made by the companies and their subsidiaries with the National Association of Insurance Commissioners (NAIC). In the A&H Policy Exhibits, data about comprehensive medical insurance sold to individuals is under the heading “Individual, Comprehensive Major Medical With Contract Reserves.” Data about comprehensive medical insurance sold to small employers (usually between 2-50 employees) is reported under the heading “Group Business Comprehensive Major Medical, Single Employer, Small Employer.” Data about major medical insurance sold to large employers is reported under the heading “Group Business Comprehensive Major Medical, Single Employer, Other Employer.”

*NAIC’s calculation of Loss Ratio is “Paid Claims plus Change in Contract Reserves” divided by “Earned Premiums.” The change in contract reserves generally does not significantly affect the loss ratio, but is included in the above calculations.

*Data is limited to fully-insured business, comprehensive major medical insurance. Self-insured, administrative-services only, FEHB, Tricare and Medicare are not included in this chart.

*Data does not include information about entities regulated by the California Department of Managed Health Care (DMHC), because such entities do not file A&H Policy Exhibits with NAIC. Companies that have substantial amounts of major medical business and file with DMHC include, but are not limited to: Blue Cross of California (a WellPoint subsidiary) and PacifiCare of California (a UnitedHealth subsidiary).

*In 2009, Golden Rule, a UnitedHealth subsidiary, sold the bulk of its individual insurance through associations and other groups, therefore it is not represented as Individual Business in the A&H Policy Exhibit, but rather is reported as “other associations and discretionary trusts.” The above individual number for UnitedHealth, however, includes Golden Rule premiums and claims as reported in Golden Rule’s A&H Policy Exhibit. Without Golden Rule, UnitedHealth’s individual premiums would be $629,060,549, its claims would be $530,783,524, and its loss ratio would be 84.3%. This would increase the total group ratio to 75%.

Premiums, Claims, and Loss Ratios

2009 Comprehensive Major Medical Insurance for WellPoint by Entity

	Individual			Small Employer			Large Employer		
	Premiums	*Paid Claims + Change in Contract Reserves*	***Loss Ratio***	*Premiums*	*Paid Claims + Change in Contract Reserves*	***Loss Ratio***	*Premiums*	*Paid Claims + Change in Contract Reserves*	***Loss Ratio***
Community Ins Co	$23,499,705	$21,845,119	**93.0%**	$987,666,507	$801,744,999	**81.2%**	$1,605,530,292	$1,412,451,513	**88.0%**
Rocky Mountain Hospital & Medical	$336,357,425	$249,132,268	**74.1%**	$381,099,017	$304,393,732	**79.9%**	$333,152,526	$276,882,822	**83.1%**
Anthem Ins Co Inc	$260,332,141	$184,551,780	**70.9%**	$580,546,576	$469,966,746	**81.0%**	$792,694,839	$653,475,202	**82.4%**
Anthem Hlth Plans of ME Inc	$64,356,120	$61,258,832	**95.2%**	$181,032,818	$157,380,105	**86.9%**	$528,333,440	$472,976,576	**89.5%**
Anthem Hlth Plans of NH	$76,196,081	$47,936,019	**62.9%**	$78,813,300	$69,292,046	**87.9%**	$84,806,913	$74,990,064	**88.4%**
BCBS of WI	$66,614,847	$55,697,857	**83.6%**	$24,305,190	$18,237,685	**75.0%**	$49,026,435	$42,538,996	**86.8%**
BCBS of GA Inc	$531,962,979	$401,506,043	**75.5%**	$249,572,281	$194,714,563	**78.0%**	$702,341,574	$604,085,050	**86.0%**
Empire Healthchoice Assur Inc	$25,897,259	$21,131,850	**81.6%**	$806,978,868	$764,724,074	**94.8%**	$0	$0	**0.0%**
Anthem Hlth Plans Inc	$196,602,444	$163,032,215	**82.9%**	$589,106,618	$523,079,155	**88.8%**	$1,428,511,843	$1,259,628,898	**88.2%**
Anthem Blue Cross Life & Hlth Ins Co	$1,118,315,756	$808,793,094	**72.3%**	$1,034,806,505	$826,402,692	**79.9%**	$1,215,925,607	$1,027,064,085	**84.5%**
Unicare Hlth Ins Co Of The Midwest	$81,508,256	$64,307,418	**78.9%**	$182,677,501	$148,295,086	**81.2%**	$50,755,273	$40,671,273	**80.1%**
Anthem Hlth Plans of VA Inc	$650,500,576	$469,218,427	**72.1%**	$813,392,436	$541,715,642	**66.6%**	$851,283,871	$675,712,717	**79.4%**
Healthy Alliance Life Ins Co	$199,963,052	$134,192,471	**67.1%**	$456,969,951	$341,259,617	**74.7%**	$570,167,870	$471,913,230	**82.8%**
Unicare Life & Hlth Ins Co	$307,814,144	$260,206,151	**84.5%**	$124,193,773	$94,658,872	**76.2%**	$364,552,333	$326,230,630	**89.5%**
Anthem Hlth Plans Of KY Inc	$320,685,521	$254,502,443	**79.4%**	$391,869,464	$316,837,677	**80.9%**	$465,708,674	$381,657,260	**82.0%**
Peninsula Hlth Care Inc	$345,537	$209,368	**60.6%**	$35,761,228	$26,294,813	**73.5%**	$42,378,462	$32,493,285	**76.7%**
Healthkeepers Inc	$2,156,038	$1,993,640	**92.5%**	$233,021,967	$165,271,378	**70.9%**	$332,689,093	$276,336,819	**83.1%**
Hmo MO Inc	$4,461,097	$3,548,163	**79.5%**	$124,384,441	$91,720,815	**73.7%**	$105,206,671	$84,112,744	**80.0%**
Unicare Hlth Plans of TX Inc	$0	$0	**0.0%**	$791,751	$416,069	**52.6%**	$48,044,912	$43,877,764	**91.3%**
Empire Healthchoice HMO Inc	$120,843,480	$82,557,052	**68.3%**	$527,781,335	$489,725,199	**92.8%**	$422,659,379	$338,330,181	**80.0%**
Hmo CO Inc	$922,372	$1,162,632	**126.0%**	$13,321,176	$15,460,426	**116.1%**	$263,458,857	$238,205,532	**90.4%**
UNICARE Hlth Plans of the Midwest	$0	$0	**0.0%**	$5,928,114	$4,467,898	**75.4%**	$252,819,505	$209,216,749	**82.8%**
Matthew Thorton Hlth Plan Inc	$0	$0	**0.0%**	$215,531,480	$187,979,497	**87.2%**	$173,490,811	$150,753,534	**86.9%**
Compcare Hlth Serv Ins Corp	$38,999,862	$31,265,295	**80.2%**	$133,824,542	$109,618,006	**81.9%**	$223,186,203	$199,370,510	**89.3%**
Healthlink Hmo Inc	$145,294	$61,891	**42.6%**	$0	$0	**0.0%**	$0	$0	**0.0%**
Priority Hlthcare Inc	$513,803	$438,805	**85.4%**	$42,179,053	$29,030,366	**68.8%**	$77,140,290	$58,445,090	**75.8%**
BCBS Hlthcare Plan of GA Inc	$64,896	$20,460	**31.5%**	$463,050,750	$357,596,933	**77.2%**	$856,213,244	$699,889,480	**81.7%**

Notes

*Data is based on Accident and Health Policy Experience Exhibit (A&H Policy Exhibit) filings made by the companies and their subsidiaries with the National Association of Insurance Commissioners (NAIC). In the A&H Policy Exhibits, data about comprehensive medical insurance sold to individuals is under the heading "Individual, Comprehensive Major Medical With Contract Reserves." Data about comprehensive medical insurance sold to small employers (usually between 2-50 employees) is reported under the heading "Group Business Comprehensive Major Medical, Single Employer, Small Employer." Data about major medical insurance sold to large employers is reported under the heading "Group Business Comprehensive Major Medical, Single Employer, Other Employer."

*NAIC's calculation of Loss Ratio is "Paid Claims plus Change in Contract Reserves" divided by "Earned Premiums." The change in contract reserves generally does not significantly affect the loss ratio, but is included in the above calculations.

*Data is limited to fully-insured business, comprehensive major medical insurance. Self-insured, administrative-services only, FEHB, Tricare and Medicare are not included in this chart.

*Data does not include information about entities regulated by the California Department of Managed Health Care (DMHC), because such entities do not file A&H Policy Exhibits with NAIC. Companies that have substantial amounts of major medical business and file with DMHC include, but are not limited to Blue Cross of California (a WellPoint subsidiary)

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

OFFICE OF OVERSIGHT AND INVESTIGATIONS
MAJORITY STAFF

CONSUMER HEALTH INSURANCE SAVINGS UNDER THE MEDICAL LOSS RATIO LAW

Staff Report for Chairman Rockefeller
May 24, 2011

Executive Summary

The minimum medical loss ratio (MLR) provision included in the 2010 health care reform law requires health insurance companies to disclose detailed information about how they use their customers' health insurance premium dollars. Over the past several months, health insurance companies have been filing this financial information for the first time with the National Association of Insurance Commissioners (NAIC). A preliminary analysis of these data performed by an NAIC working group has found that if the MLR law's rebate provisions had been in effect in 2010, American consumers in all 50 states would have received rebates totaling almost $2 billion from their health insurance companies. The NAIC analysis also shows that these consumer rebates would have been reduced by more than $1.1 billion (or more than 60%) if agent and broker commissions were excluded from the MLR calculation.

I. Background on Medical Loss Ratio (MLR) Calculations

One of the important new consumer protections enacted in the 2010 health care reform law is the "medical loss ratio" (MLR) provision, which encourages health insurance companies to spend a larger portion of their customers' premium dollars on medical care. In the individual and small group commercial health insurance markets, the MLR law requires insurers to spend 80% of their customers' premium dollars on providing health care services or improving the quality of those services. In the large group health insurance market, the law's minimum medical loss ratio target is 85%.[1]

Insurers that do not meet these health care spending levels must pay pro rata rebates to their customers; the greater the amount the health insurance company falls below the 80% and 85% targets, the larger rebate it pays its policyholders. These rebate requirements became effective on January 1, 2011.

In order to determine whether health insurance companies are meeting the 80% and 85% targets, the MLR law required the National Association of Insurance Commissioners (NAIC) to develop uniform definitions of the key elements of the MLR calculation - the premiums that are used as the denominator of the MLR calculation, and the claims and quality-improving expenses that are its numerator. These definitions would be used not only to calculate whether health insurance companies were meeting the MLR targets; they would also be used to calculate the rebates insurers owed to their customers if they failed to meet the targets.

Between May and October, 2010, the NAIC conducted a thorough review and discussion of the federal MLR law and the business practices of health insurance companies. The end products of this process were a set of standard definitions[2] and a new 2010 Supplemental Health

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[1] Section 2718 of Title XXVII, Part A of the Public Health Service Act, as added by Sec. 10101(a) of Title X of the Patient Protection and Affordable Care Act, Pub. L. 111-148 (2010).

[2] National Association of Insurance Commissioners, *Regulation for Uniform Definitions and Standardized Methodologies for Calculation of the Medical Loss Ratio for Plan Years 2011, 2012, and 2013 Per Section 2718(b) of the Public Health Service Act* (approved on Oct. 21, 2010) (online at http://www.naic.org/documents /committees_ex_mlr_reg_asadopted.pdf). The Department of Health and

Care Exhibit (SHCE) form.[3] The SHCE form (also known as a "blank") required health insurance companies to provide the financial information necessary to calculate MLRs under the new definitions. Some of the information required in this blank, such as insurers' commission payments to agents and brokers and quality-of-care expenditures, had never before been publicly reported. Insurers were required to complete and submit their 2010 SHCE forms by April 1, 2011.

II. New Data on MLR Law Consumer Savings

On May 19, 2011, an NAIC working group publicly released MLR and payable rebate estimates based on the financial data health insurance companies submitted in their 2010 SHCE forms.[4] These estimates represent the first reliable, comprehensive information about how many health insurance companies are meeting the MLR law's 80% and 85% targets. They also provide important new information about the dollar value of the rebates consumers can expect to receive in 2011, when the MLR law's rebate provisions became effective.

Table 1 – NAIC Estimates of Rebates Paid to Consumers if the Current MLR Law Had Been in Effect in 2010

Market	Premiums Paid ($ millions)	Estimated Consumer Rebate ($ millions)
Individual	$25,311	$978
Small Group	$70,255	$447
Large Group	$154,959	$526
Total	**$250,525**	**$1,951**

As Table I shows, NAIC estimates that if the MLR law's rebate provisions had been in effect in 2010, American consumers would have saved almost $2 billion. About half of the total value of these rebates would have gone to consumers who have purchased health insurance in the individual market. NAIC estimates that almost 53% of the consumers in the individual market would have received an MLR rebate in 2010 because their insurance companies were using less than 80% of their health care dollars to provide care or improve the quality of their care.[5]

Human Services adopted and certified this regulation in full in its interim final regulation implementing the MLR law. 75 Fed.Reg. 230, 74864, at 74865 (Dec. 1, 2010).

[3] National Association of Insurance Commissioners, *2010 Supplemental Health Care Exhibit* (online at http://www.naic.org/documents/index_health_reform_mlr_blanks_proposal.pdf)

[4] National Association of Insurance Commissioners, *Draft Report of the Health Care Reform Actuarial (B) Working Group to the Health Insurance and Managed Care (B) Committee on Referral from the Professional Health Insurance Advisors (EX) Task Force Regarding Producer Compensation in the PPACA Medical Loss Ratio Calculation* (May 19, 2011) (online at http://www.naic.org/documents/committees_b_ha_tf_110519_report_phia.pdf). All data presented in this report and attached exhibits come from a spreadsheet titled "Exhibit E" that accompanies the NAIC report cited above. This spreadsheet can be accessed online through http://www.naic.org/committees_b_ha_tf.htm.

[5] *Id*, at 4.

Attached to this report as Exhibit 2 is a state-by-state estimate of the rebates consumers would have received in 2010 under the MLR law. Consumers in two states (Florida and Texas) would have each received more than $200 million in MLR rebates.

The MLR law's rebate provisions will help consumers save money on their health insurance in two ways. Millions of consumers will receive rebates, while millions more will benefit from health insurance companies' efforts to eliminate or reduce their MLR rebate liability through premium reductions.[6] Credit Suisse health care analyst Charles Boorady recently reported that health insurance companies were cutting policy renewal prices "in markets where a rebate would otherwise be paid to meet new minimum loss ratio requirements."[7] Aetna, for example, recently announced that it was decreasing premiums by an average of 10% for more than 15,000 of its Connecticut customers in order to reduce its 2011 rebate payments. These rate reductions will translate into annual savings of as much as $3,519 for some of Aetna's customers.[8]

III. The Effect of Proposals to Remove Agent and Broker Commissions from the MLR

Organizations representing health insurance agents and brokers have been heavily lobbying Congress and state insurance regulators to remove agent and broker commissions from the MLR calculation. NAIC's new analysis of the 2010 SHCE form data includes an assessment of how this change would affect the size of consumer rebates.

Under the current MLR law, as well as long-observed accounting rules in the health insurance industry, any payment a health insurance company makes to an independent agent or broker involved in the sale of a policy is counted as a non-claim, administrative expense. Any portion of a consumer's premium payment that goes to pay agent and broker commissions is therefore included in the denominator of the MLR equation, but not the numerator. In order to meet the MLR law's 80% and 85% targets, health insurance companies have been examining their commission schedules and, in some cases, lowering or re-structuring the fees they pay agents and brokers.[9]

In response to the downward pressure the MLR law appears to be exerting on the commissions that some health insurance companies pay agents and brokers, their advocacy groups have proposed amending the health care reform law to exclude commissions from the MLR calculation. Agents and brokers' supporters in the House of Representatives have

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[6] *See e.g.*, Letter from Chairman Rockefeller to Commissioner Susan Voss, President, National Association of Insurance Commissioners (Mar. 15, 2011) (online at http://commerce.senate.gov/public/?a=Files. Serve&File_id=3ffd53dc-969f-4d0b-a4a8-d6dc638c346d).

[7] *Analyst: MLR Rules Are Lowering Some Health Rates*, National Underwriter (May 13, 2011) (online at http://www.lifeandhealthinsurancenews.com/News/2011/5/Pages/Analyst-MLR-Rules-Are-Lowering-Some-Health-Rates.aspx).

[8] *Aetna Seeking 10 Percent Price Decrease as Medical Spending Falls*, Hartford Courant InsuranceCapital Blog (May 11, 2011) (online at http://blogs.courant.com/connecticut_insurance /2011/05/aetna-seeking-10-percent-price.html).

[9] Chairman Rockefeller March 15, 2011, letter to Commissioner Voss, *supra*, note 6.

introduced a bill (H.R. 1206) that removes "remuneration paid for licensed independent insurance producers" from the MLR calculation. As Chairman Rockefeller explained in a letter he wrote to the NAIC in March 2011, however, excluding commissions from the MLR calculation would artificially inflate MLRs and reduce the value of the rebates that health insurance companies would be required to pay their customers.[10]

Table 2 – NAIC Estimates of Rebates Paid to Consumers if Agent and Broker Commissions Had Not Been Included in the MLR Calculation in 2010

Market	Estimated Consumer Rebate Under Current MLR Law ($ millions)	Estimated Consumer Rebate When Commissions are Excluded from MLR Calculation ($ millions)
Individual	$978	$401
Small Group	$447	$146
Large Group	$526	$215
Total	**$1,951**	**$762**

Because health insurance companies were required to report their agent and broker commission payments on the NAIC 2010 SHCE form, the NAIC working group was able to calculate the financial impact of the policy change proposed in H.R. 1206. As Table 2 shows, if agent and broker commissions had been removed from the MLR calculation in 2010, consumers' rebates would have been reduced by more than 60%, from $1.95 billion under the current MLR law to $762 million. In other words, H.R. 1206 would have allowed health insurance companies and agents and brokers to retain $1.2 billion that the current MLR law required them to return to consumers in the form of rebates or lower premiums. Exhibits 1 and 2 attached to this report provide a state-by-state breakdown of the rebates consumers would have lost if H.R. 1206 had been in effect in 2010.

[10] *Id.*

Exhibit 1:

2010 Estimated State-by-State Loss of Consumer Rebates if Excluding Agent and Broker Commissions from the MLR

All Figures Below are Estimated in $Millions and Totals May Reflect Rounding

State	Estimated Consumer Rebate Under Current MLR Law	Estimated Consumer Rebate if Agent and Broker Commissions Are Excluded	Estimated Consumer Rebate Lost if Agent and Broker Commissions are Excluded
Alabama	$9.97	$7.95	$2.02
Alaska	$0.48	$0.38	$0.10
Arizona	$69.74	$21.77	$47.97
Arkansas	$14.38	$3.84	$10.54
California	$78.49	$19.74	$58.76
Colorado	$53.43	$39.69	$13.74
Connecticut	$24.30	$6.74	$17.56
Delaware	$4.10	$0.92	$3.19
District of Columbia	$37.01	$25.30	$11.71
Florida	$203.72	$61.30	$142.42
Georgia	$95.82	$52.14	$43.68
Hawaii	$10.29	$7.55	$2.74
Idaho	$4.09	$2.88	$1.21
Illinois	$113.14	$37.55	$75.59
Indiana	$39.35	$8.80	$30.55
Iowa	$5.95	$2.07	$3.89
Kansas	$16.83	$9.03	$7.80
Kentucky	$20.56	$4.77	$15.79
Louisiana	$9.39	$6.90	$2.49
Maine	$6.89	$4.79	$2.10
Maryland	$48.51	$28.91	$19.60
Massachusetts	$10.30	$5.73	$4.57
Michigan	$35.00	$19.65	$15.34
Minnesota	$8.21	$3.65	$4.56
Mississippi	$11.46	$6.13	$5.33
Missouri	$85.06	$25.08	$59.98
Montana	$8.49	$4.49	$4.00
Nebraska	$16.46	$3.78	$12.67
Nevada	$43.03	$20.08	$22.95
New Hampshire	$8.57	$4.82	$3.74
New Jersey	$28.87	$7.64	$21.23
New Mexico	$3.11	$1.37	$1.73
New York	$42.94	$20.03	$22.92
North Carolina	$34.20	$14.43	$19.77
North Dakota	$2.85	$1.76	$1.09
Ohio	$113.87	$52.88	$60.99
Oklahoma	$37.19	$7.68	$29.51
Oregon	$7.86	$4.49	$3.36
Pennsylvania	$73.20	$20.73	$52.47
Rhode Island	$0.16	$0.00	$0.16
South Carolina	$38.16	$12.25	$25.91
South Dakota	$0.16	$0.12	$0.03
Tennessee	$43.05	$14.10	$28.94
Texas	$256.02	$94.48	$161.54
Utah	$8.05	$2.05	$6.01
Vermont	$0.40	$0.00	$0.40
Virginia	$125.07	$48.21	$76.86
Washington	$6.82	$3.45	$3.38
West Virginia	$5.67	$1.57	$4.11
Wisconsin	$27.66	$8.05	$19.61
Wyoming	$1.43	$0.45	$0.98
Total	$1,949.75	$762.18	$1,187.57

Source: NAIC Health Actuarial (B) Task Force, Report on PHIA Charge to B Committee, 5/19/11 - Appendix E
Available at: http://www.naic.org/committees_b_ha_tf.htm

Exhibit 2:

2010 Estimated Individual State Loss of Consumer Rebates If Excluding Agent and Broker Commissions from the MLR

All Figures Below are Estimated in $Millions and Totals May Reflect Rounding

Source: NAIC Health Actuarial (B) Task Force, Report on PHIA Charge to B Committee, 5/19/11 - Appendix E
Available at: http://www.naic.org/committees_b_ha_tf.htm

Alabama	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$328.38	$4.48	$2.96	$1.52
Small Group	$1,214.65	$0.00	$0.00	$0.00
Large Group	$1,994.19	$5.49	$5.00	$0.49
TOTAL	**$3,537.21**	**$9.97**	**$7.95**	**$2.02**

Alaska	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$57.36	$0.48	$0.38	$0.10
Small Group	$125.92	$0.00	$0.00	$0.00
Large Group	$382.56	$0.00	$0.00	$0.00
TOTAL	**$565.85**	**$0.48**	**$0.38**	**$0.10**

Arizona	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$656.02	$37.63	$9.31	$28.32
Small Group	$993.15	$21.28	$4.65	$16.63
Large Group	$1,921.94	$10.83	$7.81	$3.02
TOTAL	**$3,571.11**	**$69.74**	**$21.77**	**$47.97**

Arkansas	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$242.54	$8.50	$2.39	$6.11
Small Group	$443.09	$2.89	$0.45	$2.44
Large Group	$736.26	$2.99	$1.00	$1.99
TOTAL	**$1,421.89**	**$14.38**	**$3.84**	**$10.54**

California	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$2,045.98	$36.63	$11.30	$25.34
Small Group	$2,707.54	$2.64	$1.47	$1.17
Large Group	$3,800.35	$39.22	$6.97	$32.25
TOTAL	**$8,553.87**	**$78.49**	**$19.74**	**$58.76**

Colorado	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$660.29	$24.35	$12.39	$11.97
Small Group	$1,217.01	$12.72	$11.03	$1.69
Large Group	$2,990.59	$16.36	$16.27	$0.09
TOTAL	**$4,867.89**	**$53.43**	**$39.69**	**$13.74**

Exhibit 2:

2010 Estimated Individual State Loss of Consumer Rebates If Excluding Agent and Broker Commissions from the MLR

All Figures Below are Estimated in $Millions and Totals May Reflect Rounding

Source: NAIC Health Actuarial (B) Task Force, Report on PHIA Charge to B Committee, 5/19/11 - Appendix E
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Connecticut	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$361.54	$13.51	$6.68	$6.82
Small Group	$1,479.14	$4.73	$0.06	$4.68
Large Group	$2,810.24	$6.06	$0.00	$6.06
TOTAL	$4,650.91	$24.30	$6.74	$17.56

Delaware	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$54.22	$1.39	$0.58	$0.81
Small Group	$241.03	$2.19	$0.04	$2.15
Large Group	$424.16	$0.52	$0.30	$0.23
TOTAL	$719.42	$4.10	$0.92	$3.19

D.C.	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$20.45	$0.20	$0.14	$0.06
Small Group	$201.66	$6.36	$4.32	$2.05
Large Group	$1,641.19	$30.45	$20.84	$9.60
TOTAL	$1,863.30	$37.01	$25.30	$11.71

Florida	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$2,265.77	$109.94	$45.64	$64.30
Small Group	$3,934.15	$51.01	$2.65	$48.36
Large Group	$8,938.83	$42.77	$13.01	$29.76
TOTAL	$15,138.75	$203.72	$61.30	$142.42

Georgia	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$896.24	$41.33	$24.86	$16.47
Small Group	$1,735.22	$27.68	$15.84	$11.84
Large Group	$3,978.39	$26.81	$11.44	$15.37
TOTAL	$6,609.85	$95.82	$52.14	$43.68

Hawaii	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$82.87	$0.00	$0.00	$0.00
Small Group	$757.33	$5.30	$2.56	$2.74
Large Group	$1,376.89	$4.99	$4.99	$0.00
TOTAL	$2,217.08	$10.29	$7.55	$2.74

Exhibit 2:

2010 Estimated Individual State Loss of Consumer Rebates If Excluding Agent and Broker Commissions from the MLR

All Figures Below are Estimated in $Millions and Totals May Reflect Rounding

Source: NAIC Health Actuarial (B) Task Force, Report on PHIA Charge to B Committee, 5/19/11 - Appendix E
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Idaho	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$218.68	$3.93	$2.85	$1.08
Small Group	$310.29	$0.00	$0.00	$0.00
Large Group	$808.64	$0.16	$0.03	$0.13
TOTAL	**$1,337.61**	**$4.09**	**$2.88**	**$1.21**

Illinois	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$1,236.38	$67.62	$21.08	$46.54
Small Group	$3,179.54	$41.92	$15.80	$26.12
Large Group	$8,799.44	$3.59	$0.67	$2.93
TOTAL	**$13,215.36**	**$113.14**	**$37.55**	**$75.59**

Indiana	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$449.40	$24.45	$7.99	$16.46
Small Group	$1,169.95	$13.07	$0.11	$12.96
Large Group	$2,164.13	$1.82	$0.70	$1.12
TOTAL	**$3,783.48**	**$39.35**	**$8.80**	**$30.55**

Iowa	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$457.53	$5.37	$2.07	$3.31
Small Group	$702.43	$0.58	$0.00	$0.58
Large Group	$1,383.57	$0.00	$0.00	$0.00
TOTAL	**$2,543.53**	**$5.95**	**$2.07**	**$3.89**

Kansas	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$295.90	$10.59	$5.49	$5.10
Small Group	$752.02	$6.16	$3.54	$2.62
Large Group	$1,623.59	$0.09	$0.00	$0.09
TOTAL	**$2,671.51**	**$16.83**	**$9.03**	**$7.80**

Kentucky	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$369.97	$8.67	$1.39	$7.29
Small Group	$678.79	$0.00	$0.00	$0.00
Large Group	$1,591.87	$11.89	$3.39	$8.50
TOTAL	**$2,640.63**	**$20.56**	**$4.77**	**$15.79**

Exhibit 2:

2010 Estimated Individual State Loss of Consumer Rebates If Excluding Agent and Broker Commissions from the MLR

All Figures Below are Estimated in $Millions and Totals May Reflect Rounding

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Louisiana	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$472.83	$9.01	$6.75	$2.26
Small Group	$1,252.85	$0.30	$0.14	$0.16
Large Group	$1,220.73	$0.08	$0.00	$0.08
TOTAL	**$2,946.41**	**$9.39**	**$6.90**	**$2.49**

Maine	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$134.27	$6.40	$4.79	$1.62
Small Group	$375.65	$0.04	$0.00	$0.04
Large Group	$956.29	$0.44	$0.00	$0.44
TOTAL	**$1,466.21**	**$6.89**	**$4.79**	**$2.10**

Maryland	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$126.82	$14.99	$10.13	$4.86
Small Group	$479.07	$4.03	$1.18	$2.85
Large Group	$1,901.61	$29.49	$17.61	$11.88
TOTAL	**$2,507.50**	**$48.51**	**$28.91**	**$19.60**

Massachusetts	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$441.51	$3.14	$1.78	$1.36
Small Group	$3,111.19	$4.17	$2.20	$1.97
Large Group	$6,504.85	$2.99	$1.76	$1.24
TOTAL	**$10,057.56**	**$10.30**	**$5.73**	**$4.57**

Michigan	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$765.96	$24.41	$12.48	$11.92
Small Group	$2,098.67	$5.47	$2.22	$3.25
Large Group	$7,123.98	$5.12	$4.95	$0.17
TOTAL	**$9,988.61**	**$35.00**	**$19.65**	**$15.34**

Minnesota	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$615.59	$7.89	$3.32	$4.56
Small Group	$1,220.34	$0.00	$0.00	$0.00
Large Group	$2,165.18	$0.32	$0.32	$0.00
TOTAL	**$4,001.11**	**$8.21**	**$3.65**	**$4.56**

Exhibit 2:

2010 Estimated Individual State Loss of Consumer Rebates If Excluding Agent and Broker Commissions from the MLR

All Figures Below are Estimated in $Millions and Totals May Reflect Rounding

Source: NAIC Health Actuarial (B) Task Force, Report on PHIA Charge to B Committee, 5/19/11 - Appendix E
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Mississippi	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$197.26	$8.42	$5.68	$2.74
Small Group	$448.10	$0.92	$0.29	$0.63
Large Group	$650.71	$2.13	$0.17	$1.96
TOTAL	**$1,296.07**	**$11.46**	**$6.13**	**$5.33**

Missouri	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$556.44	$44.19	$19.29	$24.90
Small Group	$1,522.74	$33.14	$4.18	$28.96
Large Group	$3,069.88	$7.74	$1.61	$6.12
TOTAL	**$5,149.06**	**$85.06**	**$25.08**	**$59.98**

Montana	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$124.52	$6.40	$3.26	$3.14
Small Group	$213.08	$2.09	$1.23	$0.86
Large Group	$370.18	$0.00	$0.00	$0.00
TOTAL	**$707.79**	**$8.49**	**$4.49**	**$4.00**

Nebraska	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$290.44	$5.46	$1.12	$4.34
Small Group	$392.53	$9.13	$2.67	$6.46
Large Group	$887.76	$1.87	$0.00	$1.87
TOTAL	**$1,570.73**	**$16.46**	**$3.78**	**$12.67**

Nevada	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$216.46	$11.96	$4.53	$7.44
Small Group	$479.21	$9.28	$2.35	$6.92
Large Group	$1,291.21	$21.79	$13.20	$8.59
TOTAL	**$1,986.87**	**$43.03**	**$20.08**	**$22.95**

New Hampshire	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$111.09	$7.65	$4.18	$3.47
Small Group	$519.47	$0.29	$0.16	$0.12
Large Group	$817.65	$0.63	$0.48	$0.15
TOTAL	**$1,448.21**	**$8.57**	**$4.82**	**$3.74**

Exhibit 2:

2010 Estimated Individual State Loss of Consumer Rebates If Excluding Agent and Broker Commissions from the MLR

All Figures Below are Estimated in $Millions and Totals May Reflect Rounding

Source: NAIC Health Actuarial (B) Task Force, Report on PHIA Charge to B Committee, 5/19/11 - Appendix E
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New Jersey	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$537.86	$0.75	$0.00	$0.75
Small Group	$3,601.23	$1.40	$1.14	$0.26
Large Group	$5,689.60	$26.72	$6.50	$20.22
TOTAL	**$9,828.69**	**$28.87**	**$7.64**	**$21.23**

New Mexico	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$140.77	$1.04	$0.74	$0.30
Small Group	$346.95	$2.06	$0.63	$1.43
Large Group	$690.94	$0.00	$0.00	$0.00
TOTAL	**$1,178.67**	**$3.11**	**$1.37**	**$1.73**

New York	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$657.19	$2.42	$2.33	$0.09
Small Group	$8,144.55	$3.71	$0.16	$3.55
Large Group	$21,083.63	$36.81	$17.54	$19.27
TOTAL	**$29,885.37**	**$42.94**	**$20.03**	**$22.92**

North Carolina	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$1,022.68	$19.15	$9.92	$9.23
Small Group	$1,760.14	$3.85	$0.59	$3.26
Large Group	$2,235.87	$11.20	$3.92	$7.28
TOTAL	**$5,018.68**	**$34.20**	**$14.43**	**$19.77**

North Dakota	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$120.56	$2.46	$1.49	$0.97
Small Group	$289.89	$0.00	$0.00	$0.00
Large Group	$453.34	$0.39	$0.27	$0.11
TOTAL	**$863.79**	**$2.85**	**$1.76**	**$1.09**

Ohio	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$481.13	$39.19	$8.67	$30.52
Small Group	$2,708.61	$20.58	$15.08	$5.51
Large Group	$5,392.52	$54.10	$29.13	$24.97
TOTAL	**$8,582.25**	**$113.87**	**$52.88**	**$60.99**

Exhibit 2:

2010 Estimated Individual State Loss of Consumer Rebates If Excluding Agent and Broker Commissions from the MLR

All Figures Below are Estimated in $Millions and Totals May Reflect Rounding

Source: NAIC Health Actuarial (B) Task Force, Report on PHIA Charge to B Committee, 5/19/11 - Appendix E
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Oklahoma	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$283.65	$16.06	$7.08	$8.98
Small Group	$792.34	$20.89	$0.60	$20.29
Large Group	$1,742.31	$0.24	$0.00	$0.24
TOTAL	**$2,818.29**	**$37.19**	**$7.68**	**$29.51**

Oregon	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$477.62	$7.81	$4.49	$3.31
Small Group	$924.45	$0.05	$0.00	$0.05
Large Group	$3,099.59	$0.00	$0.00	$0.00
TOTAL	**$4,501.67**	**$7.86**	**$4.49**	**$3.36**

Pennsylvania	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$1,237.08	$31.13	$18.18	$12.95
Small Group	$4,711.54	$5.56	$0.49	$5.07
Large Group	$10,164.10	$36.51	$2.06	$34.45
TOTAL	**$16,112.72**	**$73.20**	**$20.73**	**$52.47**

Rhode Island	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$67.87	$0.00	$0.00	$0.00
Small Group	$462.14	$0.00	$0.00	$0.00
Large Group	$835.82	$0.16	$0.00	$0.16
TOTAL	**$1,365.83**	**$0.16**	**$0.00**	**$0.16**

South Carolina	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$345.58	$34.12	$11.95	$22.18
Small Group	$744.68	$3.86	$0.27	$3.59
Large Group	$1,230.75	$0.18	$0.03	$0.14
TOTAL	**$2,321.01**	**$38.16**	**$12.25**	**$25.91**

South Dakota	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$153.11	$0.16	$0.12	$0.03
Small Group	$225.20	$0.00	$0.00	$0.00
Large Group	$444.91	$0.00	$0.00	$0.00
TOTAL	**$823.22**	**$0.16**	**$0.12**	**$0.03**

Exhibit 2:

2010 Estimated Individual State Loss of Consumer Rebates If Excluding Agent and Broker Commissions from the MLR

All Figures Below are Estimated in $Millions and Totals May Reflect Rounding

Source: NAIC Health Actuarial (B) Task Force, Report on PHIA Charge to B Committee, 5/19/11 - Appendix E
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Tennessee	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$571.77	$25.35	$9.39	$15.96
Small Group	$1,524.87	$8.28	$3.29	$4.99
Large Group	$1,717.14	$9.41	$1.42	$7.99
TOTAL	$3,813.78	$43.05	$14.10	$28.94

Texas	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$1,747.41	$172.01	$65.47	$106.54
Small Group	$4,447.33	$43.42	$25.17	$18.25
Large Group	$7,897.85	$40.59	$3.84	$36.74
TOTAL	$14,092.59	$256.02	$94.48	$161.54

Utah	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$261.47	$4.15	$2.05	$2.10
Small Group	$619.58	$3.54	$0.00	$3.54
Large Group	$1,689.83	$0.36	$0.00	$0.36
TOTAL	$2,570.88	$8.05	$2.05	$6.01

Vermont	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$79.33	$0.00	$0.00	$0.00
Small Group	$243.39	$0.00	$0.00	$0.00
Large Group	$331.21	$0.40	$0.00	$0.40
TOTAL	$653.93	$0.40	$0.00	$0.40

Virginia	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$809.02	$50.80	$18.03	$32.77
Small Group	$1,802.48	$48.33	$13.92	$34.41
Large Group	$4,263.73	$25.94	$16.25	$9.68
TOTAL	$6,875.24	$125.07	$48.21	$76.86

Washington	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$845.27	$6.56	$3.45	$3.12
Small Group	$969.38	$0.00	$0.00	$0.00
Large Group	$5,563.02	$0.26	$0.00	$0.26
TOTAL	$7,377.67	$6.82	$3.45	$3.38

Exhibit 2:

2010 Estimated Individual State Loss of Consumer Rebates If Excluding Agent and Broker Commissions from the MLR

All Figures Below are Estimated in $Millions and Totals May Reflect Rounding

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West Virginia	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$69.62	$4.39	$1.57	$2.82
Small Group	$298.97	$1.28	$0.00	$1.28
Large Group	$612.34	$0.00	$0.00	$0.00
TOTAL	$980.92	$5.67	$1.57	$4.11

Wisconsin	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$449.91	$10.30	$1.11	$9.19
Small Group	$1,493.66	$11.26	$5.22	$6.04
Large Group	$5,166.02	$6.10	$1.72	$4.38
TOTAL	$7,109.59	$27.66	$8.05	$19.61

Wyoming	2010 Direct Earned Premiums	Consumer Rebate Under Current MLR Law	Consumer Rebate if Agent & Broker Commissions Are Excluded	Consumer Rebate Lost if Agent & Broker Commissions are Excluded
Individual	$76.42	$1.43	$0.45	$0.98
Small Group	$120.30	$0.00	$0.00	$0.00
Large Group	$158.85	$0.00	$0.00	$0.00
TOTAL	$355.57	$1.43	$0.45	$0.98