

The Honorable Joe Pitts
Chairman, Subcommittee on Health
Energy & Commerce Committee
U.S. House of Representatives
Washington, DC 20515

The Honorable Frank Pallone
Ranking Member, Subcommittee on Health
Energy & Commerce Committee
U.S. House of Representatives
Washington, DC 20515

September 15, 2011

Dear Chairman Pitts and Ranking Member Pallone:

The undersigned organizations write to express serious concerns with the legislation to be discussed by your subcommittee that would repeal the medical loss ratio provision of the Affordable Care Act (ACA) and prohibit, in perpetuity, the enforcement of other important consumer insurance protections.

The Medical Loss Ratio is An Essential Consumer Protection

The minimum medical loss ratio (MLR) requires that insurers in the individual and small-group markets spend 80% of premium dollars on medical care and quality improvement activities instead of administrative expenses, like underwriting, marketing and profits; for large groups, medical spending must be at least 85%. Insurers that fail to meet these standards will owe consumers a rebate of the difference. HHS estimates consumers and employers stand to gain rebates worth \$1.4 billion for premiums paid in 2011. More importantly, a recent GAO report shows that the MLR requirement is already putting downward pressure on insurance premiums as insurers with high administrative costs work to become more efficient and competitive. For example, Aetna announced in May 2011 that it would decrease premiums in Connecticut by an average of 10% in response to the MLR requirement. H.R. 2077 would repeal this important cost-saving provision for consumers and small businesses, and we strongly oppose it.

Some argue the MLR has led to reductions in agent and broker commissions, causing hardship for the industry and for consumers seeking insurance through a broker. In fact, data submitted to the National Association of Insurance Commissioners (NAIC) Professional Health Insurance Advisors taskforce was inconclusive on this point. To the extent that some reductions in commissions have occurred, it generally appears that very high first-year commissions in some states have been reduced to levels typically found in lower-commission states and high-paying insurers have cut commissions to levels paid by their competitors. Data from California demonstrated that producer commissions have increased very dramatically in recent years and suggested that recent changes in compensation may represent a market correction rather than an unreasonable reduction in fees. There is also little evidence that consumers are losing access to agents and brokers as a result of these trends. In addition, as noted above, insurers have other options for meeting the MLR requirement, including by reducing premiums, becoming more efficient, or lowering profits, which have reached record levels in 2011.

Insured Families Should Not Be Barred from the Benefits of Insurance Reforms

The ACA expands access to new consumer protections while preserving the insurance that consumers currently have. Specifically, there are some protections that all plans must comply

with in plan years beginning on or after September 23, 2010. These include the elimination of lifetime coverage limits, a prohibition on rescissions, and extension of parents' coverage to adults under age 26. Additional protections will be phased in over time for plans that were in effect on March 23, 2010. Those plans are "grandfathered" until substantial changes in benefits or costs are made, and then they must be updated to comply with the new ACA protections. Benefits that are phased in include preventive benefits at no additional cost, greater appeals protections, premium rate review, and in 2014, out-of-pocket spending caps.

This draft legislation wipes out these safeguards, taking away the new protections consumers have recently earned and those they stand to gain in the future. This would impose higher costs for preventive care and reinstate lifetime limits on benefits. It would allow exclusions of coverage for pre-existing conditions in perpetuity, locking in disparate treatment of millions of people. It would increase the number of uninsured by taking away the coverage of many young adults who are newly insured through their parents' health plans. Just this week, the Census reported insurance gains for about 500,000 young adults, due in large part to this provision.

We oppose rolling back essential consumer health insurance protections and urge the subcommittee not to advance this legislation.

Health Care for America Now
Consumers Union
American Cancer Society Cancer Action Network
American Federation of State, County and Municipal Employees (AFSCME)
National Education Association
Service Employees International Union (SEIU)
National Partnership for Women & Families
American Heart Association
Families USA
International Union, United Automobile, Aerospace and Agricultural Implement Workers of
America (UAW)
Alliance for a Just Society
Main Street Alliance
Community Organizations in Action
USAction
Raising Women's Voices for the Health Care We Need
United Transportation Union
National Health Law Program
United Steelworkers
National Women's Law Center
Community Catalyst
United Food & Commercial Workers International Union

State Groups:

Health Access California
New Jersey Citizen Action
Citizen Action of New York

Consumers for Affordable Health Care (Maine)
Action NC
Montana Small Business Alliance
Montana Organizing Project
ACTION United (PA)
Iowa Citizen Action Network
Iowa Main Street Alliance
Georgia Rural Urban Summit
WV Citizen Action Group
Toledo Area Jobs with Justice and Interfaith Worker Justice Coalition
OLÉ
Colorado Progressive Action
Progressive Maryland
Missouri Progressive Vote Coalition
Penn Action
Citizen Action/IL
Ohio Communities United
Progressive Leadership Alliance of Nevada
Progress Ohio
Organize Now (Florida)
United Action Connecticut (UACT)
Arkansas Community Organizations
Virginia Organizing
Washington CAN!