

CHAMBER OF COMMERCE  
OF THE  
UNITED STATES OF AMERICA

R. BRUCE JOSTEN  
EXECUTIVE VICE PRESIDENT  
GOVERNMENT AFFAIRS

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WASHINGTON, D.C. 20062-2000  
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June 16, 2011

The Honorable Tom Price  
U.S. House of Representatives  
Washington, DC 20515

Dear Representative Price:

The U.S. Chamber of Commerce, the world's largest business federation representing the interests of more than three million businesses and organizations of every size, sector, and region, thanks you for introducing H.R. 2077, "MLR Repeal Act of 2011," which would repeal the medical loss ratio requirements (MLR) enacted under the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively referred to as PPACA). The medical loss ratio requirements will require insurance providers in the individual/small group and large group markets to spend 80 and 85 percent respectively of premiums collected on claims or quality improvement activities and limit the number of available providers offering coverage.

Instead of ensuring that "consumers receive value for their premium payments" and "bringing down the cost of health care coverage" as the provision's headings purport, the MLR requirement will increase premiums and harm consumers and employers. The MLR requirement will: discourage insurers from conducting anti-fraud or utilization management activities; hurt employers that offer multiple products or coverage across state lines; squeeze out innovative administrative simplification and other activities; decrease the availability of high deductible plans; limit choice to group or staff model HMO Plans; reduce insurance competition; and prevent cross subsidization for affiliates with concentrations of high risk individuals.

The law's poorly synchronized modifications impose heavy burdens on current coverage offerings, well before additional insurance markets' coverage becomes available in 2014. Instead of recognizing the need for coordination and transition, PPACA imposes undue burdens on fully insured large group plans and mandates that issuers do more administrative work, for more enrollees, and spend less doing so.

In addition to creating a perverse incentive for insurers to stop successful administrative initiatives that work to control costs, the law requires plans to make substantial administrative changes, provide an extensive array of new notices in multiple forms and languages, and adopt dramatic system and staffing changes, while also mandating that plans extend coverage (with in many cases prescribed benefits) to additional populations. This burden is significant; the timeframe is stringent and often impossible, as the Department of Health and Human Services

has tacitly and laudably recognized by offering necessary enforcement grace periods. However, these obligations on plans to do more administratively for more enrollees are compounded by an additional restriction. In the same timeframe while plans are being forced to make such dramatic changes, the MLR requirements are ruthlessly forcing plans to do additional work, for more enrollees with the use of fewer resources. It is inconceivable that such dramatic changes could be made by any corporation or industry while also being subjected to such economic scrutiny. It is both unreasonable to expect, and perverse to require, plans that currently offer coverage to make such fundamental and systemic modifications while also complying with the financial constraints of medical loss ratio requirements and rebate penalties. This provision and the regulations implementing it will fail consumers since imposing strict Medical Loss Ratios will lead to a decline in valued coverage.

The Chamber looks forward to working with you to enact this legislation.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Bruce Josten", written in a cursive style.

R. Bruce Josten