



# Illinois Department of Insurance

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PAT QUINN  
Governor

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Director

July 1, 2010

Mr. Lou Felice, Chair  
Health Reform Solvency Impact (E) Subgroup  
National Association of Insurance Commissioners  
2301 McGee Street, Suite 800  
Kansas City, Missouri 64108-2662

Re: *Medical Loss Ratio, NAIC Health Reform Solvency Impact Subgroup.*

Dear Lou:

As the subgroup enters its final days of considering the substantive aspects of the Blank and accompanying instructions to accommodate the new requirements of the medical loss ratio (MLR) reporting requirements included in the Affordable Care Act (the "Act"), I encourage the subgroup to maintain their original decision to strictly exclude fraud and abuse expenses from the definition of quality improvement.

While anti-fraud efforts are a positive undertaking of the industry, these efforts do not relate to quality improvement. In the absence of legitimate, empirical proof that the actual quality of health care was improved as a direct result of anti-fraud activities, the insurance company request to include these costs should be summarily declined. The Act provides for some exceptions to the minimum MLR and a transition period if an issue would cause a potential market disruption. For this reason, I continue to support permitting state regulators to work on an individual basis with regard to MLR disruptions.

You suggested to the group an alternative that would permit carriers to include a portion of fraud investigation recoveries in the numerator of the MLR calculation, limited to the amount spent in support of anti-fraud efforts. It is possible that without the ability to permit some claw-back of anti-fraud recoveries, carriers may face a new disincentive to invest in anti-fraud efforts. However, as the health insurance marketplace changes – a reality insurers must embrace – we believe insurers will maintain anti-fraud efforts and that such effort will not impact the MLR calculation in a meaningful way.

I appreciate the opportunity to provide this input, and please do not hesitate to contact me if you have any further questions.

Very truly yours,

Michael T. McRaith  
Director

MTM:srb