Illinois Department of Insurance

June 23, 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: *NAIC Health Reform Solvency Impact Subgroup.*

Dear Lou,

Thank you for your ongoing efforts as Chair of the Health Reform Solvency Impact (E) Subgroup. As the group moves forward with consideration of changes to the Blank and accompanying instructions to accommodate the new requirements of the medical loss ratio (MLR) reporting requirements included in the Affordable Care Act, we encourage and request a balanced approach to reporting requirements for not-for-profit insurers and for-profit insurers.

As you well know, the Affordable Care Act permits insurers to subtract some state taxes from the calculation of an MLR. However, many not-for-profits are tax exempt due to the presumptive benefit a non-profit provides to the community. Although not-for-profit health insurers are not presently offering health insurance products in Illinois, we anticipate that insurance reform will lead to new market opportunities for existing and to-be-formed insurers to enter the Illinois market. Because it has a currently dysfunctional health insurance market, Illinois needs additional competition. Recognizing that marketplace change is inevitable -- and necessary -- we oppose any approach disadvantageous to not-for-profits relative to for-profit entities with respect to medical loss ratios. Therefore, for purposes of calculating the medical loss ratio, we support an approach that permits not-for-profits to subtract community benefit expenses in the same manner that for-profit insurers can subtract paid state income taxes, with a limit that matches the state taxes from which the not-for-profit is exempt (as applicable on a state-by-state basis).

Please do not hesitate to contact me if you have any further questions.

Very truly yours,

Michael T. McRaith
Director

MTM:srb