Good afternoon Commissioner McCarty, Deputy Commissioner Mary Beth Senkewicz and members of the Florida Health Insurance Advisory Board. Thank you for the opportunity to be here today. I am John Cantillo, Executive Vice President for Coventy Health Care of Florida. Coventry appreciates the invitation by the OIR and the Advisory board to solicit input from the industry. My company is committed to being a part of developing meaningful, broad-based solutions in support of the goals of the Patient Protection and Affordable Care Act (PPACA).

As members of this panel consider their recommendation to the Department of Health and Human Services (HHS) regarding the definition and implementation of the minimum medical loss ratio, or MLR's, Coventry wishes to highlight it's current support of NAIC's existing accounting standards for claim adjustment expenses defined in SSAP No. 55 and equally asks the members of the panel to consider MLR calculation rules that support the following goals:

1. Maintain or increase choice of insurers and product diversity for all Floridians.
    a. Smaller insurer's and/or potential new entrants to markets could be negatively affected if there is no recognition of the large fixed expenses required to enter a new market or maintain small, but growing, blocks of business. An allowance, or waiver that would phase-in, exempt or amortize start-up expenses or permit the pooling of benefit expenses across state lines will support the goal of maintain or increasing the choice of insurers to all Floridians.
    b. Minimum MLR's by market segment (Individual, Small Group and Large Group) should also take into consideration the credibility of these blocks of business. Smaller blocks of business tend to be more volatile in terms of projection of claims expenses, credibility addresses this volatility.
    c. Coventry recommends that MLR calculations should be determined by distinct market segment: Individual, Small Group and Large Group MLR's should be calculated separately. Calculations should be aggregated by legal entity and not solely by regulated entity.
    d. Claims expenses should be determined on an incurred-basis allowing for several months to pass between payment of premium payment and the calculation of the minimum MLR. Claims expenses should include policy reserves and reinsurance. This is consistent with the American Academy of Actuaries position.
    e. Claims expenses should include costs for all benefits provided under a uniform policy, certificate of coverage or summary plan document. Consumers are always seeking value for their health care related needs. Product innovation seeks to answer consumer's demand for value and affordability. Health care services, or benefits not only includes medical and pharmacy services but also include chiropractic, dental, vision, behavioral health, alternative medicine and wellness programs such as incentives for fitness clubs, weight loss programs or smoking cessation programs. The value offered by these programs should be included in the claims expense calculation.

2. Quality improvement and Affordability. Incentives should be created for insurers to invest in systems, protocols and tools to reduce costs of health care services, improve health care quality, reduce medical errors, optimize patient care and lower premiums. This includes investment in health information technology, case management and disease management.
    a. **Case Management, Disease Management and Wellness Programs.** Efforts to optimize patient care and improve outcome should be encouraged. Our chairman, Allen Wise, recently told the story of one of our members, Margaret Anderson, who has several chronic medical conditions including diabetes and congestive heart failure. To support her, she is assigned a specific case manager, Ed Havrila. Ed wears several hats for Margaret. He is a nurse, educator, cheerleader, and personal medical administrator reminding her of doctor's visits and questions to ask her physicians. Margaret and Ed speak at least once a week, frequently more often. Such programs provide value in both medical and human terms. It is difficult to label such as an "expense", but such programs and the personnel required to support such programs should be encouraged. Also, continued support and incentives for wellness programs and initiatives such as on-site health fairs for employers. Many of our clients have benefited from the resources and opportunities provided during the on-site employer health fairs that Coventry conducts for them.
    b. **Cost containment expenses.** It is important to include as part of claims, investments in technology to support and improve access to or the exchange of health information. Technology such as electronic medical records should be encouraged. In addition, investments in technology that improves the efficiency and/or reduces the burden of administration processes on providers should also be encouraged as these investment help to reduce premiums and maintain affordability.
3. Minimize Disruption to existing insureds. One specific area of concern regarding the impact of implementing MLR's and rebate provisions of the PPACA is the individual market. Coventry is in agreement with the concern of the American Academy of Actuaries expressed in its April 28, 2010 letter to NAIC working groups. In brief, the Academy expressed concern regarding the application of annual MLR calculation to individual business priced to lifetime MLR targets.
    a. Coventry encourages proposals that incorporate the following recommendations:
        i. Provide for a transition period. The time frames required by PPACA are aggressive and the sudden implementation of such new rules on business that was priced, marketed and issued under different assumptions could have a negative and disruptive impact on the Individual market. A phasing-in of the minimum MLR's requirements for the Individual market segment to help the insurer transition in a measured way to minimize disruption to insureds and maintain competition/choice is strongly encouraged.
        ii. Individual and Small Group MLR's should be determined as separate pools. Coventry's position is that these market segments

are distinct and separate. In addition, maintaining separate pools in the calculation of minimum MLR's supports the public policy goal of providing choice of insurers. Smaller insurers or insurers focused strictly on one market segment could be placed at a competitive disadvantage if larger insurers are permitted to cross subsidize market segments.

iii. Considers credibility for smaller blocks of business.

iv. Grandfathering of business underwritten and issued prior to implementation of guaranteed issue requirements in 2014. This business will continue to exhibit patterns consistent with policy duration and the MLR requirements could potentially unfairly penalize insurers with younger durational blocks of business. Alternatively, the MLR calculation for Individual market segments should consider lifetime loss ratio calculations and active life reserves, in lieu of annual MLR calculations. Coventry's position is consistent with the American Academy of Actuaries position.

4. Calculation of minimum MLR's should be determined on a calendar year basis, using a methodology consistent with SSAP No. 55 and the recommendations stated above.
5. Rebates should be dispersed to policyholders. For the Individual market it would be the subscriber. For the group market it would be the employer.

Once again thank you for the invitation and opportunity to be here today.