July 9, 2019

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Via email: Randy Helder, rhelder@naic.org; Teresa Cooper, tcooper@naic.org
Market Analysis Procedures (D) Working Group

RE: Request for Feedback on Making Health Scorecard Ratios Publicly Available

Dear Chair Haworth and Vice Chair Rebholz,

The Health Industry Interested Parties (HIIP) group appreciates the opportunity to provide feedback to the Market Analysis Procedures Working Group (MAPWG) to consider as it deliberates a recommendation to the Market Regulation and Consumer Affairs (D) Committee whether or not to make the 2018 Health Market Conduct Annual Statement (MCAS) Scorecard ratios publicly available.

During the June 13, 2019 conference call, the MAPWG discussed the premise of their prior year recommendation not to publish the 2017 state aggregated scorecard results because smaller states have a limited number of carriers or only a single carrier, and since demographics have not changed to date, the 2018 scorecard ratios should not be publicly available.

The HIIP group agrees with the MAPWG's prior year rationale for not making the scorecard ratios publicly available, and we would like to offer the following additional information for your consideration before making a final recommendation to the (D) Committee on whether or not to make the 2018 and beyond scorecard results publicly available.

Statistical Significance of Ratio Information

Health ratios produced from a statistically insignificant population base could result in misleading ratios because the parameters of the population base are not publicly available. As example, a carrier with low membership in a particular segment may have one catastrophic event that triggers a high level of out of network claims resulting in a ratio showing high level of out of network utilization that could lead to inaccurate conclusions regarding the carrier's network adequacy.

Current Scorecard Ratios Do Not Provide Comparable Results

Since the numerator and denominator populations contain dissimilar information, current scorecard ratios are not comparable. For example, the Health MCAS does not contain a collection field or instructions specific to terminated member months information. Therefore, ratios using member months will produce inaccurate ratios. Additionally, since the Health MCAS collects information for claims paid within the data-year regardless of the year received, ratios using claims paid and claims received data are not comparable and could result in misleading ratios. Similarly, for grievance data, year-over-year membership fluctuations may also result in misleading ratios, as grievance data is not limited to membership active in the reported data year.

Carriers' Reporting Methodology Information Not Available

Only state regulators and NAIC staff have pertinent information on a carrier's Health MCAS reporting methodology disclosed by each carrier in the Health MCAS Interrogatory/Comments sections. Differences in reporting methodologies and lack of available pertinent information will impact the conclusions drawn from applicable ratios.

Non-Comparable Health MCAS and Financial Annual Statement (FAS) Information

It is understood that the Health MCAS is a statistical report and not a financial report. Efforts to compare or correlate Health MCAS information or scorecard ratios to FAS information or ratios will result in erroneous comparisons and conclusions.

The HIIP group believes the Health MCAS data and ratios should primarily be a tool for market regulatory analysis. Given the complexity of the Health MCAS, unlike the simplistic nature of information for other MCAS lines of business, public reporting of Health MCAS ratios is not meaningful and may cause confusion and undue concerns regarding the ratios because pertinent information is not publicly available.

Thank you for your consideration of our comments, and we look forward to continued work with the MAPWG.

Sincerely,

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