



# The Senate of The State of Texas

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Education  
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SENATOR WENDY R DAVIS  
District 10

January 23, 2012

Eleanor Kitzman  
Commissioner, Texas Department of Insurance  
P.O. Box 149104  
Austin, TX 78714-9104

Commissioner Kitzman,

I am writing to request that you rescind your request to the U.S. Department of Health and Human Services (HHS) to delay full implementation of the new medical loss ratio (MLR) rules. As you know, those rules would require health insurance companies in Texas to rebate excessive charges to their customers. I was deeply disappointed to learn that your agency has sought a waiver for Texas insurers from that rebate requirement. Your actions indicate that the Texas Department of Insurance is more interested in protecting insurance companies than protecting Texas consumers.

Beginning in 2011, new federal law requires insurance companies to spend at least 80 percent of premium dollars on health care services and quality improvements. If insurers fail to comply with these standards, they must provide rebates to policyholders. This important provision makes crucial strides toward holding insurance companies accountable for how they spend consumers' premium dollars, and places downward pressure on insurance premiums. The goal of this rule is to provide an incentive for insurance companies to operate more efficiently and to use customers' premium dollars wisely. Insurers should be required to meet this reasonable standard by improving their operations, so that consumers are not overcharged for low-quality, inefficient health plans.

If your request for an adjustment to MLR standards is granted, hardworking Texas families will lose more than \$260 million in rebates anticipated to be paid out over the next three years. That is an average loss of \$350 for each Texan covered by individual health insurance.

Not only is this MLR adjustment bad policy, but you have failed to satisfy the standard required to obtain an exemption. As you are aware, HHS can only grant a state an exemption from the MLR rules if that state demonstrates a reasonable likelihood that the requirement would destabilize the individual health insurance market. Because there is no legitimate evidence that these consumer protections would result in a destabilized market in Texas, or that insurance providers would leave the state, your agency has neglected its duty to protect the consumers of Texas by seeking that Texas insurers be exempted. In your agency's own survey of insurers, it was found that those covering more than 90% of the Texas market intend to stay in Texas regardless of whether your exemption request is granted. Only two surveyed insurers indicated an intention to leave, and together they cover only 0.68% of the market.

The MLR requirement is an important consumer protection mechanism to reduce premium costs and ensure the quality of care. It should not be weakened. I, therefore, urge you to withdraw your waiver request.

Sincerely,

A handwritten signature in black ink that reads "Wendy R Davis".

Wendy R Davis  
Texas Senate - District 10

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