

HEALTH CARE FOR AMERICA NOW!

July 22, 2011

The Honorable Pete Stark
U.S. House of Representatives
Washington, DC 20515

The Honorable John Kerry
U.S. Senate
Washington, DC 20510

Dear Representative Stark and Senator Kerry:

On behalf of Health Care for America Now, a national grassroots coalition of more than 1,000 organizations in 46 states, we write to support your legislation, the “Medigap Medical Loss Ratio Improvement Act.” The bill would require private Medigap plans to meet the same ratio of medical care spending as other private market plans under the Affordable Care Act.

The minimum medical loss ratio (MLR) provision of the Affordable Care Act (ACA) provides consumers, for the first time, a consistent measure of plan value. The MLR requires that insurers in the individual and small-group markets spend 80 percent of premiums on medical care and quality improvement instead of administrative expenses such as profits, executive pay, underwriting and marketing. For large groups, medical spending must be at least 85 percent. The MLR requirement already has exerted downward pressure on insurance premiums. Consumers in one state saw premiums reduced by an average of 10 percent, and we believe the MLR rule will prove to be the single-greatest tool to constrain future premium growth by forcing insurers with high administrative costs to become more efficient.

Seniors should benefit from the same cost protections. Medigap plans sold to individuals now must spend only 65 percent of premium dollars on medical benefits (75 percent in the case of group coverage). Your legislation would raise this standard to ensure more of seniors’ money is going to medical care rather than to administrative waste or excessive profits.

Thank you for introducing this legislation. We look forward to working with you to secure its passage.

Sincerely,



Ethan Rome
Executive Director