



May 11, 2010

The Honorable Secretary Kathleen Sebelius
Department of Health and Human Services
Attention: DHHS-2010-MLR
Hubert H. Humphrey Building
Room 445-G
200 Independence Avenue, SW.,
Washington, DC 20201

Dear Secretary Sebelius:

This letter responds to the request for written comments regarding implementation and definition of the medical loss ratio (MLR) requirements as required by Sections 1001 and 10101 of the Patient Protection and Affordable Care Act of 2010 and the Health Care and Education Reconciliation Act of 2010. HMS is a leader in cost containment and program integrity services for healthcare payors. Our clients include over 110 Medicaid health plans—including the largest Medicaid managed care organizations in the nation, Medicare Advantage plans, commercial plans, and employers.

We write to ask that you consider the unintended consequences that a standard medical loss ratio will have on program integrity and cost containment activities that are performed by many health plans. To truly achieve the goals of healthcare reform—increased access, quality of care and cost control—plans must continue to identify and remove fraud and waste from the healthcare system. We, however, have already observed hesitation by plans to implement and expand upon these necessary activities due to the fact that recoveries may negatively impact their MLR calculation.

As you know, each year billions of dollars are wasted as a result of overpayments, incorrect payments and fraud and abuse in our healthcare system. Plans, especially those serving Medicaid and Medicare, have a duty to identify and eliminate fraudulent and incorrect payments as these activities free up additional dollars to pay for and increase the quality of care. For this reason, program

integrity and cost containment activities and fraud programs should be included in the quality category of the MLR definition.

A decision to the contrary may disincentivize plans from continuing efforts to lower costs and even penalize plans which have robust program integrity and cost containment programs in place. Most would agree that this far from the intent of creating a MLR standard; however, it is a factor that must be taken into consideration, especially given the renewed focus on healthcare fraud, waste and abuse by the Obama Administration. Plans must continue to have policies and procedures in place that protect against fraud, waste and abuse and the MLR calculation should not in any way discourage these type of activities or cause plans to put less emphasis on managing healthcare costs and care.

HMS appreciates the opportunity to provide comments on this important issue. If you have any questions, please contact Phyllis Hartstein, Vice President of HMS's Managed Care Division at 212.857.5840 or at phartstein@hms.com.

Sincerely,



Christina Dragonetti
Executive Vice President of Commercial Markets