



## Washington Association of Health Underwriters

**December 13, 2010**

**Re: ~ Carrier Commission Changes and Health Care Reform Medical Loss Ratios**

Dear WAHU Members,

Many of you have received carrier communications recently, notifying you that their commission structure will change or be reduced in 2011 for the small group market. These changes, and or reductions, are being driven by the upcoming implementation of Health Care Reform, specifically the Medical Loss Ratio, (MLR) requirement which will begin for calendar year 2011. This will require that all carriers pay out a minimum of 85% of all premiums received for medical claims in 2011 for employer groups will less than 100 employees. If a carrier falls below that number they will be required to pay a fine and issue rebates to policy holders. Unfortunately, producer commissions are currently being included in the 15% that is allowed for administration by the carriers and as such, are being included when carriers look to reduce their overall administrative expenses.

The Association of Health Underwriters is taking the following actions regarding both the reduction of commission within the small group market and the current interpretation of how the MLRs are to be calculated and applied.

1. At the national level NAHU is working with Health and Human Services, (HHS), to revise their interpretation of these rules to remove producer commissions from the MLR calculation entirely.
2. A combined effort between NAHU & state chapters like WAHU is currently coordinating a grass roots campaign to work with elected representatives to put pressure on HHS to change their interpretation of how MLR should be applied.
3. At the state level WAHU is going to be sending out further communications to our membership detailing how producers may make up for lost revenue from reduced commissions by implementing a fee based compensation contract with the client in addition to commissions received.

Please know that this issue is being taken very seriously at the chapter, state, and national level of NAHU and every effort is being made to keep a marketplace where agents can be adequately compensated to work with their clients.

Please feel free to contact me with any questions or concerns you may have.

Thank you,  
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