



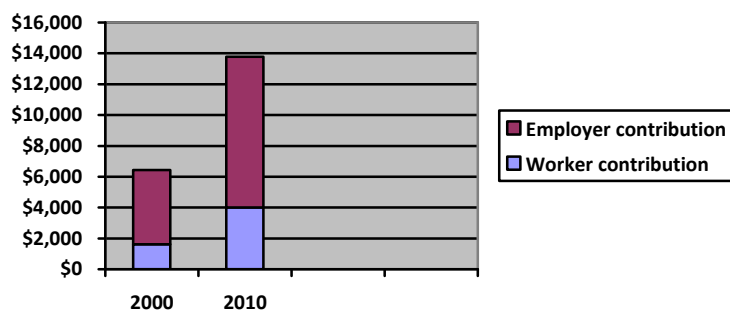
## Testimony provided to the Department of Insurance, Financial Institutions, and Professional Registration

### Re: Adjustment to Medical Loss Ratios in Missouri

December 28, 2010

My name is Ruth Ehresman. I am the Director of Health and Budget Policy for the Missouri Budget Project. Thank you for the opportunity to speak this morning. The Missouri Budget Project, a public interest organization whose mission is to advance public policy that creates economic opportunity for Missourians, particularly low and moderate income Missourians through independent research, analysis and advocacy. We believe that access to affordable health care is essential to the economic well being of Missourians, as well as to the well being of the state.

From 2000 to 2010, the average cost of health insurance premiums have increased by 114 percent. The portion of worker contribution to the cost of health insurance has increased by 147 percent.<sup>1</sup> The larger growth in worker contribution is a notable change from the steady share workers have paid over the past decade.<sup>2</sup>



One of the goals of the Affordable Care Act is to strengthen protection for consumers and to assure a good value for their health care dollar. Establishing a minimum Medical Loss Ratio is one way to accomplish this. It is also a way to bend the curve of health care costs by assuring that profits for insurance company are reasonable.<sup>3</sup>

<sup>1</sup> Employer Health Benefits Survey, 2010, the Kaiser Family Foundation and Health Research and Educational Trust.

<sup>2</sup> Ibid at 1.

<sup>3</sup> *HHS Issues MLR Rules*. Missouri Hospital Association Issue Brief, November 29, 2010. Accessed at [www.mhanet.com](http://www.mhanet.com), December 23, 2010

### **Greater transparency would be good for Missouri consumers**

- Missouri currently has no requirements for a minimum Medical Loss Ratio. Thirty-four states, including 6 of Missouri's neighboring states (Illinois and Nebraska are the exceptions) have established minimum Medical Loss Ratios or other reporting requirements.<sup>4</sup> While these vary widely, based on competition and definitions of what constitutes "medical care", they do provide some consumer protection. By standardizing the definition of MLR, the ACA and HHS regulations will improve consumer protection
- Missouri, along with Georgia and Montana do not require health insurance companies to even file rate increases with the state
- Available information about Medical Loss Ratios on the Department of Insurance website is not readily understandable to the general public. Although numerous reports can be generated on the Department's web site, it is difficult to interpret the data. Consumers can only be smart shoppers if they have the data they need to make informed decisions

### **The HHS guidelines were developed in a thoughtful, balanced, bi-partisan manner and should not be easily dismissed or modified**

- The HHS guidelines follow model recommendations developed by the National Association of Insurance Commissioners .
- There are guidelines that give direction for the inclusion of expanded activities that improve health care quality in calculating the MLR<sup>5</sup> (e.g. disease management, wellness initiatives, 24 hour hotlines and health information technology)
- There are special rules to address mini-med policies, small plans, plans offered through associations or trusts, expatriate plans, and new plans to assure these are treated fairly

### **Achieving the required Medical Loss Ratios appears to be a reachable goal**

Data from the Department of Insurance website regarding "Individual Comprehensive Medical Expenses" show that 3 of the 5 companies with the higher market share report a MLR of near or above 80 percent. These 5 represent almost 86 percent of the market share.

One would expect that with the ACA changes that prohibit insurers from denying coverage or refusing to pay claims for anyone with pre-existing conditions, insurers should progressively spend less on underwriting and administration of refusals to pay, thus raising their MLR. The inclusion of activities that improve health care in the MLR should also provide a boost.

Improving claims accuracy could minimize administrative costs. Data from a report by W. Scott Bailey indicate that as many as one of every 5 health insurance claims is processed and paid inaccurately. Improving accuracy by every 1 percent would yield \$778 million per year in savings to insurance companies.<sup>6</sup>

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<sup>4</sup> Health Policy Brief, November 12, 2010. Health Affairs/Robert Wood Johnson Foundation. Accessed at [www.healthaffairs.org](http://www.healthaffairs.org) on December 23, 2010

<sup>5</sup> A July 2010 issue brief by Changes in Health Care Financing and Organization, part of the Robert Wood Johnson Foundation, estimates that changes in the calculation of MLR in the ACA could boost some insurers MLR by as much as 5 percent.

<sup>6</sup> W. Scott Bailey, "Doctors say insurers can trim billions in health care costs," San Antonio Business Journal and Business Courier of Cincinnati, June 25, 2010. Accessed at: <http://www.bizjournals.com/cincinnati/othercities/sanantonio/stories/2010/06/28/story7.html?b=1277697600^3553221&s=industry&i=insurance> December 27, 2010

**The decision to ask for an adjustment to the MLR should be based on hard data that shows harm to consumers**

The Missouri Budget Project urges the Department to press for clear answers about:

- Why an insurer is unable to comply with the new law
- The pattern of the profits posted by insurance companies who seek an adjustment
- The impact of the loss of poorly performing insurance companies on consumers/a particular market
- The specific impact on brokers (how many)
- The impact on insurance companies who already meet the minimum MLR
- The financial loss to consumers who do not get the rebate citizens of other state will receive

If the Department seeks to request an adjustment of the MLR, we urge it to post that request publicly and provide a period of comment and/or a hearing to allow consumers to provide testimony that will be sent to HHS along with the Department's request. We also request the Department to make public a list of insurance companies who have provided hard documentation that they will leave the market as a result of the MLR requirement.

Thank you for your consideration of our position.

Submitted by  
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