

Insurers to Pay 80%-85% of Premiums for Care

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Beginning next year, health insurance companies will be required to prove that they spend at least 80% of premium dollars collected on direct medical care and quality improvement efforts under new federal regulations.

The interim final rule took effect Jan. 1 and was required by the Affordable Care Act. The so-called medical loss ratio rule was developed by the National Association of Insurance Commissioners, which submitted its recommendations to the Health and Human Services department in late October.

According to the rule, HHS reviews insurers' medical loss data at the end of 2010. Companies that spend less than

80%-85% of their premium dollar on direct medical care will be required to issue rebates to consumers, said HHS Secretary Kathleen Sebelius at a press briefing. The rebate checks will begin arriving in 2012.

In some markets, insurers spend as little as 60% of the premium dollar on direct care, said Ms. Sebelius, who added that under the rule, those companies might have "to return nearly \$3,500 to

every family they insure." Her calculation was based on an average annual premium of \$13,250 paid by a family of four.

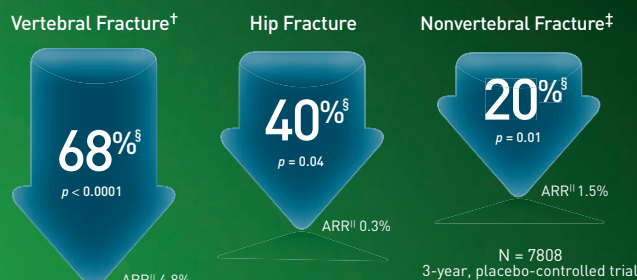
Timothy Jost, a professor of law at Washington and Lee University, Lexington, Va., who advised the NAIC task force, said he estimated that insurers currently spend 12% of the premium dollar on pharmaceuticals and 31% for physician services, and 31% on administrative costs. ■

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* Key sites: vertebral, hip, and nonvertebral.^{1,2}
[†] Includes 7393 patients with a baseline and at least one post-baseline radiograph.^{1,2}
[‡] Composite measurement excluding pathological fractures and those associated with severe trauma, fractures of the vertebrae, skull, face, mandible, metacarpals, fingers, and toes.^{1,2}
[§] RRR = relative risk reduction.
^{||} ARR = absolute risk reduction.

References: 1. Prolia™ (denosumab) prescribing information, Amgen. 2. Cummings SR, San Martin J, McClung MR, et al. Denosumab for prevention of fractures in postmenopausal women with osteoporosis. *N Engl J Med.* 2009;361:756-765.

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