Feds Want Insurance Costs to Be Transparent

The policy 'will empower consumers,' discourage insurers from charging unjustified premiums.

BY NASEEM S. MILLER

In an effort to control rising health insurance rates and to bring transparency to the market, the federal government has proposed rules requiring insurers to publicly disclose and justify large rate increases.

Starting this year, proposed rate increases of 10% or higher will be publicly disclosed and reviewed to determine if the rate increase is reasonable, according to proposed regulations announced by Health and Human Services Secretary Kathleen Sebelius. The effort will be conducted in collaboration with the states.

MS. SEBELIUS

The initial threshold for review is set at 10% in this year, Ms. Sebelius said; however, starting in 2012, the states will set their own thresholds based on data and trends they gather. If a state is unable to do so, the proposed rule allows the HHS to do so.

Beginning in 2014, states will be able to exclude from the new health insurance exchanges any health plans that show a pattern of excessive or unjustified premium increases.

Ms. Sebelius said that the states will have the responsibility to keep insurance rates in check, and that the federal government is "not going to be sitting on state commissioners' shoulders and question what it is that they're doing."

Over the past decade, the average health insurance premiums for family coverage have risen 131%, according to the HHS. Some states such as Connecticut and Rhode Island already have the power to review and reject excessive rate increases but not all do and some lack the legal authority or resources to do so.

"The proposed rate review policy will empower consumers, promote competition, encourage insurers to do more to control health care costs and discourage insurers from charging premiums which are unjustified," Jay Angoff, director of the HHS Office of Consumer Information and Insurance Oversight, said in a statement.

The Affordable Care Act makes $250 million available to states to take action against insurers seeking unreasonable rate hikes, and so far $46 million has been awarded to 45 states and the District of Columbia for improving oversight of health insurance rate increases, according to the HHS. The proposed regulations also will work in conjunction with medical loss ratio regulations, which were released in November.

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In a statement, Karen Ignani, president and CEO of the insurance trade group America's Health Insurance Plans, said, "While the proposed rule gives consideration to the impact of rising medical costs, it also establishes a threshold for review that is incomplete because it does not adequately factor in all of the components that determine premiums, including the cost of new benefit mandates and the impact of younger and healthier people dropping coverage.

Premium review must consider the unique circumstances of small employers that are struggling to afford coverage for their employees, and of the individual market in which people move in and out of coverage depending on whether they anticipate needing medical services." She added, "It is also important to remember that the new federal law already caps health plans' administrative costs and profits. We welcome the opportunity to submit comments on this proposed rule."

The proposed rule was published in the Federal Register Dec. 23 and is open for public comment until Feb. 22. Comments can be filed at www.regulations.gov. ■

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POLICY & PRACTICE

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Absorptiometry Checks Coming

Physicians who performed dual-energy x-ray absorptiometry scans between January and July of 2010 should be getting extra payments from the federal government. Under the Affordable Care Act, Medicare increased its rate for DXA from about $62 to $98 per scan beginning July 1, 2010. The law also stated that the increase would be retroactive to the first of the year. But officials at the Centers for Medicare and Medicaid Services did not send those checks last year because the agency did not have the money to reprocess the 350 million or so claims. Last December, Congress passed the Medicare and Medicaid Extenders Act, insisting that the CMS pay out the delayed reimbursements without physicians having to request them. At press time, the CMS had not announced when the checks would go out.

Rheumatoid Risks Calculated

Researchers at the Mayo Clinic in Rochester, Minn., have created a lifetime risk estimate for rheumatoid arthritis and six other autoimmune rheumatic diseases that can be used by physicians to counsel patients. The Mayo team studied a cohort of 1,179 patients who had been diagnosed with the conditions during 1955-2007 in the Rochester Epidemiology Project and determined that the adult lifetime risk of having an inflammatory autoimmune disease is 8.4% for women and 5.1% for men. This is a substantial risk, said the researchers. Risks for individual conditions were rheumatoid arthritis, 3.6% for women and 1.7% for men; systemic lupus erythematosus, 0.9% for women and 0.2% for men; and psoriatic arthritis, 0.5% for women and 0.6% for men. The research, supported by the National Institutes of Health, appeared online in the Mayo Clinic newsletter.

Inpatient Surgery Yields Fines

Seven U.S. hospitals have agreed to pay $6.3 million to the federal government to settle charges that from 2000 to 2008 they overcharged Medicare for performing inpatient kyphoplasty operations that could have been done safely as outpatient procedures. The government alleged that the hospitals performed the minimally invasive surgeries on an inpatient basis just to increase the amount they could charge Medicare. The settlement is part of a larger crackdown. In 2009 and 2010, the federal government reached settlements with 18 other hospitals over Medicare claims involving the osteoporosis-fractures procedure. In May 2008, Medtronic Spine agreed to pay $75 million to settle allegations that the company counseled hospitals to perform kyphoplasty as an inpatient procedure.

NFL Funds Spinal Research

Armed with a $100,000 grant from the National Football League, researchers at Cornell University and Weill Cornell Medical College are attempting to bioengineer a living intervertebral disk that can be put into patients who suffer degenerative disk disease. Today's surgeries often do not restore patients to the function they had before injury. By creating a living disk, the researchers said they hope to create an implant that can "grow, adapt, and integrate" to restore function to the spine. The researchers will first create the disks from sheep cells and tissues and test them in animals.

State to Review Rate Hike

California's new insurance commissioner said he will review health insurance rate hikes of up to 59% for Blue Shield of California customers, but he warned that he does not have the power to reverse those hikes. Blue Shield, which is raising its rates for the third time since October, declined to delay the timing of the latest increase, currently scheduled for March 1. "Despite Blue Shield's unwillingness to delay their rate increase, the Department of Insurance will conduct a full and complete review of their rate filing," Insurance Commissioner Dave Jones said in a statement. "The Blue Shield rate increase underscores the need for the legislature to give the insurance commissioner the authority to reject excessive premium increases. I do not have that authority now," said Mr. Jones. Blue Shield Chief Executive Bruce Bodaken said in a statement that the increases reflect "the actual cost of providing medical care."

Medicare Use is Uneven

The amount of Medicare service used by beneficiaries varies substantially across the country, with beneficiaries in high service-use areas getting Medicare-funded care about 30% more than beneficiaries in low-service areas, according to a report from the Medicare Payment Advisory Commission. This regional variation is particularly high for postacute care, such as home health, the MEDPAC report said. However, a region with high utilization for one group of services typically has high utilization overall, the report said. For instance, areas that have high service use among Medicare beneficiaries during the year before their deaths tend to have high utilization overall. Medicare drug plans also tend to have similar a similar pattern of utilization. "In short, the pattern of high use often extends across different services and different groups of beneficiaries," the report said.

–Mary Ellen Schneider