HHS to Measure 'Unreasonable' Premium Hikes

BY MARY ELLEN SCHNEIDER

he Health and Human Services Department has taken the first steps toward greater oversight of the health insurance industry called for by the new health reform laws.

On April 12, HHS officials issued requests for public comment on how to calculate medical-loss ratios for health plans as well as factors to consider in determining whether a plan's premium rate increase is "unreasonable." The comments will be used to help HHS officials develop regulations over the next several months.

Under the Patient Protection and Affordable Care Act, signed into law on

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March 23, health plans must submit annual reports to HHS on their medicalloss ratios, the percentage of premiums spent on medical care and quality improvement versus the percentage spent on administrative overhead. Beginning on Jan. 1, 2011, if the medical-loss ratio does not meet minimum federal standards, the health plans will have to provide customers with a rebate. For plans in the large group market, the amount of premium revenue spent on clinical services must be at least 85%. For those in the small group and individual markets, the threshold is at least 80%.

HHS is also asking the National Association of Insurance Commissioners to establish uniform definitions and stan-

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dard methodologies to determine how to define clinical services and quality improvement as part of the medical-loss ratio. The health reform law had called on the organization to develop these definitions by the end of this year, but HHS has asked them to do it by June 1 so that the agency can publish regulations as soon as possible

The health reform law also includes new oversight of insurance company rate increases. It requires HHS, in partnership with states, to establish a process for the annual review of "unreasonable" increases in premiums for health insurance coverage. As part of this process, insurers have to publicly post and submit to HHS and their state the rationale for any premium increase considered "unreasonable" before the increases goes into effect.

This increased accountability aims to use transparency and competition to prevent rampant premium escalations," Jeanne Lambrew, Ph.D., director of the HHS Office of Health Reform, said during a press conference on April 12.

HHS is seeking comment from states and health plans on issues including what types of methods states use to determine whether to approve a rate increase as well as whether special consideration should be given for certain types of plans such as HMOs or high-deductible plans.

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