

Health Law and Policy Update:

April 27, 2012

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Headlines of the Week

Coloradans to receive more than \$25 million in rebates from insurance companies.

More than half a million Coloradans will receive a rebate from their insurance company because of the Affordable Care Act's Medical Loss Ratio (MLR) requirement.

The MLR measures the percent of premium dollars spent on delivering patient care versus the percent spent on administration, agent commissions, profit and other costs. The requirement is designed to help customers get more value for their premium dollar. For more about MLR see this [issue brief](#), prepared by CCLP. Beginning in 2010, small group and individual plans were required to spend at least 80 percent of premium dollars on medical care and large group plans were required to spend at least 85 percent. In 2011, plans that did not meet those targets had to rebate excess amounts to their customers. Those rebates will be delivered either by check or a discount off of future premiums to customers by August.

Yesterday, the Kaiser Family Foundation released a [report](#) entitled: Insurer Rebates under the Medical Loss Ratio: 2012 The report estimates how much those rebates will be. In total, across the nation, millions of insurance customers can expect to see an estimated \$1.3 billion. Coloradans will receive more than \$25 million.

The reported break down by Colorado insurance market follows:

Individual market: Fourteen percent of individual market enrollees will receive rebates. The average rebate per enrollee will be \$54.58. There are 41,690 enrollees in the five plans expected to pay rebates. The total amount of rebates that will be issued in the individual market is estimated at \$2,275,342.

Small Group Market: Ten percent of the small group market was enrolled in a plan that will issue a rebate. The average rebate per enrollee is estimated at \$82.62. There are 27,788 enrollees in the four plans expected to pay rebates. The total amount of rebates that will be issued in the small group market is estimated at \$2,295,746.

Large Group Market: According to the Kaiser Family Foundation report, Colorado large businesses and their employees are among four states most likely to receive rebates this year. Sixty-two percent of the large group market is in five plans paying rebates. The average rebate amount per enrollee is estimated at \$47.84. There are 442,206 enrollees in plans expected to pay rebates. The total rebate amount for enrollees in the large group market in Colorado is estimated at \$21,154,806.

While some might question what impact a relatively small individual refund might have on the cost of insurance, NAIC consumer representative, Timothy Jost, a professor at Washington and Lee University School of Law, [explained](#) "The purpose isn't to generate rebates, but to force insurers to align their premiums more closely with their (medical) claims costs," says Jost. "Each year, premium costs have

gone up more than medical costs, so what the rule does is force insurers to be more efficient and, if they charge too much, to give some back."

The Kaiser report notes that the MLR requirement, has "provided an incentive for insurers to seek lower premium increases than they would have otherwise, and in some cases premiums have even decreased. This 'sentinel' effect on premiums has likely produced more savings for consumers and employers than the rebates themselves."

The MLR requirement might not have remained intact but for the diligence of consumer advocates, particularly the consumer representatives to the National Association of Insurance Commissioners, and the support of many insurance Commissioners including Colorado's. The industry tried time and time again to weaken the requirement. The fact that it remained intact is a victory for consumers.

Advancing the debate

Study finds large variation in cost of appendectomies

The Denver post provided [coverage](#) of a California study, published this week in the Archives of Internal Medicine, which found large disparities in the billed price of an appendectomy. The study found that bills for the procedure ranged between \$1,500 and \$180,000. The average price of an appendectomy was \$33,000.

The differences in price were partially attributable to the health status of the patients and what level of treatment was provided to them. However, the researchers were not able to explain approximately one third of the variations.

While the study was conducted in California, the authors noted that the results described a systemic problem and would be similar in other states. "There's no method to the madness. There's no system at all to determine what is a rational price for this condition or this procedure," said the study's lead author, Dr. Renee Hsia.

What you can do

Nominations being accepted for Exchange advisory groups

The Colorado Health Benefit Exchange (COHBE) board voted this week to create four stakeholder advisory groups to advise on policy and implementation issues. Nominations are currently being accepted and will close next Friday, May 4. The groups are: the SHOP (small business exchange) Advisory Group, the Individual Experience Advisory Group, the Health Plan Advisory Group, and the Communications and Outreach Advisory Group. The formation of these advisory groups represents a very important opportunity to ensure broad stakeholder engagement in the development and implementation of Colorado's Health Benefit Exchange.

We encourage interested parties to apply. Further information on the process and the nomination form can be found on the [COHBE website](#).

Applications being accepted for new Medicaid program

The State of Colorado continues to accept applications for the new Adults without Dependent Children Medicaid eligibility category. The program is available for low-income adults ages 19-64 without dependents who make less than about \$90 per month. While this is a very low income level, it is important to recognize that some income and some categories of assistance such as Aid to the Needy Disabled (AND) and Old Age Pension (OAP) do not count when establishing eligibility for the program. The program will accept only 10,000 enrollees. A randomized selection process will be conducted in mid-May to fill the 10,000 slots and those who are eligible but not selected will be placed on a waiting list. More information is available on the [HCPF website](#).

More on Health Disparities

African American health in Denver

The Center for African American Health and the University of Colorado's Health Prevention Research Center released a [study](#) this week on African American health in the Denver metro area. The study was conducted to understand the health status of the faith based African American community in metro Denver and produce reliable data that can be used for setting priorities for research and intervention. It represents the largest health survey of African Americans in Denver. Among the findings: the rates of diabetes and obesity are significantly higher in the African American community. Women more likely to be obese and men more likely to have diabetes. Lower income individuals are more likely to be obese and to have diabetes and heart disease. About half who participated in the survey believe that health care reform will help them, and thirty eight percent are unsure. The majority of respondents felt that African Americans receive lower quality health care than whites. The study was based on more than 2000 survey responses collected at African American churches in the metro area.

National Healthcare Disparities Report

Released this week, the [National Healthcare Disparities report](#) summarizes the quality of health care for underserved populations, including, for the first time, the lesbian, gay, bisexual, and transgender (LGBT) population. LGBT individuals frequently experience barriers to health care. The report pays particular attention to health care access for transgender and gender non-conforming individuals. As discussed in the report, transgender individuals are one of the most vulnerable of the LGBT populations; 19% of transgender and gender non-conforming individuals surveyed reported a denial in care simply because of their transgender or gender non-conforming status.