From Ellen Pinnes and The Disability Coalition:

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Health Care Reform Information Series – Bulletin #3

How Health Care Reform Is Already Helping

Part III. Health Insurance – Giving Consumers More Bang for the Buck

** **Limiting the amount of money insurance companies spend on administrative expenses and profit**. The Affordable Care Act (ACA) requires health insurance companies to spend a reasonable amount of their income from premiums on actually providing health care, and limits the amount they can put into administrative expenses and company profits. (Premiums are the payments made to the insurance company by customers to pay for the insurance coverage.) For insurance policies issued through large employers, at least 85% of the amount collected in premiums has to go to health care and only 15% is allowed for administration and profit. For small groups and for insurance that people buy on their own because they don't get insurance through their jobs, the insurance company must spend at least 80% of premium income on health care services and up to 20% is allowed for administration and profit. The numbers are different because these policies involve higher administrative costs than insurance for large groups.

And the ACA backs this up by making insurance companies that don't meet the required percentages give refunds to consumers for any year they don't meet the requirement! The requirement started in 2011, so the first refunds will be given later this year based on income and expenses in calendar year 2011.

A recent analysis by the Commonwealth Fund, a respected health policy organization, reported that if this provision had gone into effect a year earlier, insurance companies would have had to give out a total of nearly $2 billion in refunds nationwide for 2010. Some consumers would have gotten rebates of $300 or more.

** **Review of premium increases to make sure they're justified**. The ACA also calls for better review of increases in the premiums charged by insurance companies. In the past, the common practice has been that insurance companies have just decided how much more they want to charge, told employers and consumers how much the price will jump, and that was that. Now, state insurance regulators like New Mexico's insurance superintendent – with the help of funding and new regulations from the federal government as part of the ACA, as well as stronger state laws – are taking a harder look at those proposed increases and they're not necessarily letting them go into effect. And if the state regulator doesn't take on this role, the federal government is reviewing increases to see if they're reasonable and publicizing unreasonable and excessive requests.

The impact of stronger review of premium increases by regulators has been demonstrated in New Mexico. Blue Cross Blue Shield of New Mexico last fall notified consumers that it planned to raise its rates by nearly 10%. The state's Division of Insurance has proposed reducing that to under 7% - still a significant increase, but less than the company had asked for and much less than the nearly 30% increase it wanted the last time it raised premiums for its customers.

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