

Fact Check



Mandatory MLR Requirements Would:

Reduce patients' access to programs that improve patient safety and quality of care:

- Over the last decade, patients have embraced health plans' quality strategies such as disease management for chronic conditions, care coordination, prevention and wellness, and other programs. While the expenses associated with these strategies are technically accounted for in administrative costs, they directly improve patient health outcomes and, ultimately, help reduce overall costs.
- Health plans also devote administrative expenses to the development and maintenance of extensive provider networks and conduct physician credentialing processes to ensure that patients have access to a broad range of physicians and hospitals that provide high-quality care.

Disrupt coverage for those who already have it and reduce choices in the individual market:

- The individual insurance market provides affordable coverage to 18 million Americans who do not have employer-based coverage and are not eligible for public programs. In today's individual market, many people purchase health insurance when they anticipate needing it and advisors play an essential role in assisting people in securing coverage that best meets their needs and budgets. As a result, today's individual insurance market experiences significantly higher structural administrative costs than group insurance markets.
- The insurance market reforms that go fully into effect in 2014 are expected to fundamentally reshape the individual market, expand coverage and significantly reduce administrative costs. Enacting arbitrary administrative caps before insurance market reforms go into effect will disrupt coverage for those who have it today and diminish competition and choices in the individual market. This approach is out of step with guidelines from state insurance commissioners and the National Association of Insurance Commissioners (NAIC).

Undermine transformative administrative simplification initiatives:

- Health plans have put forth a far-reaching proposal to streamline health care administration. Health plans are committed to helping physicians, patients, and hospitals reduce the time, effort, and expense needed to carry out the routine office tasks associated with a doctor's appointment or hospital stay and simplify the entire process of getting, delivering, and paying for care. Mandatory MLR requirements could thwart this initiative and lock current processes in place.

Hamper future innovation in health information technology (HIT):

- While there are significant investments associated with implementation of HIT, these efforts have the potential to dramatically reduce long-term costs, provide transparent and actionable information to patients and providers, significantly reduce medical errors, and improve the overall delivery of health care.
- Restricting health plans' ability to invest in the necessary infrastructure to implement technological advances impedes vital new tools such as personal health records, secure electronic means for patients to communicate with physicians, and the development of uniform procedures for submitting claims and payments.

Jeopardize valuable patient outreach and communication efforts:

- Health insurance plans routinely provide information on preventive measures, quality data, and other resources to help consumers make informed decisions about their health and health care options. These important outreach and education efforts lead to healthier individuals and, ultimately, lower health care costs.

Create perverse incentives:

- Mandatory MLRs would dis-incentivize efforts to reduce waste, fraud, and abuse, while discouraging investments in care coordination, disease management, prevention and wellness, and health IT.

FACT: Premiums Increase Because of Higher Health Care Costs

The data are clear that soaring medical costs are the key driver of rising health insurance premiums. According to government data, health plans account for only seven percent of national private health expenditures and just five percent in the growth of health care costs. A serious discussion on rising health care costs needs to focus on the other 95 percent.

Table 1. Source of Increase in Private Health Expenditures, 2003-2008 By NHE Category			
Private National Health Expenditure Categories¹	% Share of Private Health Insurance Expenditures (2003)	% of Share of Private Health Insurance Expenditures (2008)	Source of Increase in Private Health Insurance Expenditures (2003-2008)
Hospitals	31%	34%	41%
Physicians and Clinical Services ²	32%	34%	38%
Prescription Drugs	14%	12%	8%
Private Administration and Net Cost of Insurance	14%	12%	7%
Dental	6%	6%	5%
Other Health Categories	3%	2%	1%

¹Source: National Health Expenditures (NHE) Accounts, Centers for Medicare and Medicaid Services, does not include out-of-pocket costs or philanthropy
² Includes NHE category other professional care
³Includes the NHE Categories: Home Health Care, Durable Medicare Equipment, Other Non-Durable Medical Products, Nursing Home Care, Other Personal Health Care, Public Health Activity, Research, and Structures and Equipment