

Insurance Industry's Lobbying Shift to HHS Threatens Consumer Protections, Says Group in Letter to Sebelius

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WASHINGTON, Nov. 10 -- Consumer Watchdog issued the following news release:

Consumer Watchdog today warned the White House that the insurance industry is still intent on demolishing modest consumer protections in the health reform law, and outlined the most damaging industry demands in a letter to HHS Secretary Kathleen Sebelius. The letter, noting that the chief industry lobbying group is hiring lobbyists with direct HHS and Justice Department ties, urges Sebelius not to accept any weakening and to repair some of the damage already done by industry pressure. Read the letter, with data links, at: <http://www.consumerwatchdog.org/resources/SebeliusMLR1110.pdf>

"The midterm elections are not a signal to water down reform until consumers can't see any benefit," said Carmen Balber, Washington director of the nonprofit, nonpartisan Consumer Watchdog. "The White House has to prove to doubting voters that it can protect them from having to choose between paying the mortgage and keeping their health insurance." "Consumers' unhappiness with the health reform law stems directly from their belief that they won't personally benefit from it as they watch premiums soar," said Balber. "You can help most Americans see the benefit by enacting strong protections in these consumer regulations." The letter said: "As you know, the health reform law did nothing to cap runaway rate hikes. However, two provisions of the law meant to at least curb the premiums consumers pay are now in your court: rules to require insurance companies to spend more on actual health care and less on administration and profit, and rules to define and require insurance companies to justify "unreasonable" premiums before they take effect. The insurance industry, in the wake of the midterm election, is refocusing its efforts against these provisions on your agency. "The insurers have threatened to disrupt insurance markets if health reform regulations are not to their liking. We urge you to reject such intimidation. "You must instead strengthen new rules intended to shine a spotlight on insurer spending and make the insurance industry more efficient in

providing health care. This must include a strong definition of what constitutes an "unreasonable" rate increase, given the unaffordable double-digit premium increases that insurers are now imposing on existing customers. Your definition will govern whether insurers have to publicly defend their rate increases, and should be as simple and inclusive as possible to ensure that any questionable increase receives additional review." The letter also warned that insurers have key additional demands that would, if accepted, make meaningless the law's demand that insurers spend a higher proportion of premium revenue on health care:

"[The industry's] chief and most damaging additional demands are, in brief: "1. To combine each plan of a single insurer at the national level... Combining them nationally for purposes of the medical loss ratio would allow insurers to gouge customers in high-profit states by offsetting areas of low medical spending with higher proportions in better-regulated states. "2. To deduct insurance broker fees from premiums before measuring MLR...If the deduction is allowed, the MLR minimum of 80% in those markets will become meaningless. "3. To give many plans a larger percentage "bonus" in calculating whether they have met the 80% individual/small business minimum and the 85% group plan minimum for health care spending." In addition, said the letter, HHS must tighten the NAIC's too-loose definitions of what can be counted as insurer health care, particularly: corporate image marketing campaigns wrapped in a public health care message; deduction of virtually all federal and state taxes from premium income before the health care percentage is calculated; and failure to make public the insurers' defense of what they are counting as health care. Ultimately, said the letter, "Consumers cannot expect to pay a fair price for health insurance until all insurance companies are required to justify, and get approval for, every premium change, and until the public is allowed to fully participate in the rate review process. We urge you to encourage the states to enact and enhance prior approval rate regulation and consumer participation. Strong rules on medical spending and premium review are nevertheless your strongest currently available tools to protect consumers from insurer profiteering and greed."