EMBARGOED
NOT FOR RELEASE BEFORE 12:01 A.M. THURSDAY, MARCH 26, 2015

NEWS RELEASE
Embargoed for release:
12:01 a.m. ET,
Thursday, March 26, 2015

For further information, contact:
Mary Mahon: (212) 606-3853, mm@cmwf.org
Bethanne Fox: (301) 448-7411, bf@cmwf.org
Twitter: @commonwealthfnd

NEW REPORT: MORE THAN $5 BILLION IN TOTAL CONSUMER BENEFITS FROM AFFORDABLE CARE ACT'S MEDICAL LOSS RATIO PROVISION

Review of Payment Data Finds Consumer Rebates Dropped to $325 Million in 2013, as Insurers Stepped Up Compliance with the Law

New York, NY, March 26, 2015—The Affordable Care Act's medical loss ratio (MLR) provision yielded more than $5 billion in benefits to consumers from 2011 through 2013, either through the rebates that insurance companies have paid to them or through reduced health plan spending on overhead, according to a new Commonwealth Fund report. The MLR provision, which went into effect in 2011, requires insurers to spend at least 80 percent (for small-group and individual plans) or 85 percent (for large-group plans) of premiums on medical care and quality improvement.

The Federal Medical Loss Ratio: Implications for Consumers in Year 3, by researchers Michael McCue of Virginia Commonwealth University and Mark Hall of Wake Forest School of Law, analyzes the impact of the MLR provision on consumers. The authors find that in 2013, insurers paid out $325 million in consumer rebates, down from the $513 million paid to consumers in 2012 and the more than $1 billion paid in 2011, indicating a continuing trend toward greater compliance with the spending requirements.

Insurers' spending on activities to improve the quality of patient care has not changed, however. Such spending reflected less than 1 percent of premiums in 2011, 2012, and 2013.

The report, which looks at insurers' filings with the Centers for Medicare and Medicaid Services, also finds that the MLR provision hasn't substantially reduced competition in health insurance markets or consumers' choice of insurance plans. According to the study, there were about 500 insurers, covering 1,000 or more members, in each of the individual, small-group, and large-group markets in 2013—a small reduction from 2011, but in line with insurance market consolidation trends.

"The Affordable Care Act's medical loss ratio provision improves the protection health insurance affords people, by setting minimum standards for spending on medical care, while also encouraging insurers to invest in quality initiatives," said Commonwealth Fund President David Blumenthal, M.D. "These findings show that insurers can improve coverage for consumers while remaining competitive in the health insurance market."

Additional Report Findings

- Consumer rebates have dropped most substantially in the large-group market, dropping 80 percent—from $388 million in 2011 to $79 million in 2013—as plans came into compliance with the MLR rule. Rebates dropped 68 percent, from $400 million in 2011 to $128 million in the individual market. In the small-group market, rebates dropped 60 percent, from $289 million in 2011 to $118 million in 2013. Expenses for insurance brokers, which amount to about 3 percent of premiums, dropped only slightly, by 0.2 percent since 2011.
- Insurers' total profits have also declined only slightly, by 0.2 percent since 2011. Modest profit margin decreases in the individual market have been partially offset by modest increases in the small- and large-group markets, where profit margins have risen modestly to reach about 3 percent.

"With the ability to look at three years' worth of data, it is clear that consumers are benefitting from the Affordable Care Act's medical loss ratio provision and insurers are adapting to it well," said McCue, the study's lead author. "Insurers have brought their overhead expenses in line without sacrificing profits."

The report will be available after the embargo lifts at:
http://www.commonwealthfund.org/publications/issue-briefs/2015/mar/medical-loss-ratio-year-three.