Agents, Not Rebates, Help Consumers Get a Better Deal on Health Insurance
By Janet Trautwein

Recently, some Americans began receiving checks in the mail from their health insurers.

These rebates were required by the 2010 federal healthcare reform law's medical loss ratio (MLR) rules, which mandate that insurers spend at least 80 percent of premiums on healthcare expenses. Insurers that don't meet this threshold have to rebate the difference.

According to the Obama Administration, the rebates prove that the MLRs are working -- that they encourage "insurers to give you better value and [hold] them accountable if they don't."[1]

But these rebates do very little to lower most Americans' health costs. In fact, they may make it more difficult for people to secure affordable health insurance.

For starters, not everyone will get a rebate. At least 66 million consumers are covered by plans that don't have to pay out such rebates.[2]

A study in the journal *Health Affairs* by a team of Stanford economists warned that "regulations that arbitrarily cap plans' spending on administration, such as minimum medical loss ratios, could end up being socially harmful if they have the effect of restricting beneficial management and administration activities."[1]

Further, folks who get coverage through work may not see any cash. Rebates for the 8.6 million Americans in the small- and large-group markets who qualify will be sent directly to their employers.

In the individual market, some 2.6 million households qualify for rebates. They'll receive an average of about $152, or $12.67 a month.[3][4]

All told, less than 5 percent of the U.S. population will receive a rebate check.

The rebates are also smaller than expected. Just a few months ago, analysts predicted that the rebates would total about $1.3 billion and reach 15.8 million Americans. The actual amount will be $200 million less and impact 3 million fewer people.

Given how much health insurance actually costs, the rebates aren't much help. Annual family premiums for those with employer-sponsored insurance rose 9 percent in 2010 -- triple the pace of wages -- to an average of $15,073.[5]

A check for $12 a month barely makes a dent in a premium that size.

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[1] http://www.whitehouse.gov/blog/2012/06/05/insurance-rebates-way
[2] http://www.forbes.com/sites/mickeymeece/2012/06/21/most-consumers-will-not-receive-a-health-insurance-refund/
[3] http://www.healthcare.gov/law/resources/reports/mlr-rebates06212012a.html
[4] http://ifawebnews.com/2012/06/22/health-insurers-forced-to-send-out-1-1-billion-in-rebates/
[5] http://www.reuters.com/article/2011/09/27/us-usa-health-poll-kaiser-idUSTRE78Q31820110927

It's not even clear that MLR requirements help bring down premiums or result in better health. Prior to the passage of the Affordable Care Act, 34 states maintained some sort of MLR rule.[6] In a review of those requirements, the American Academy of Actuaries noted that "minimum loss ratios do not help contain health care spending growth... or address directly the quality and efficiency of health care services."[7]

But MLR rules can -- and do -- reduce consumers' healthcare choices. According to the Congressional Budget Office (CBO), strict MLR requirements have the potential to "substantially reduce flexibility in terms of the types, prices, and number of private sellers of health insurance." The CBO further warns that some insurers "could exit the market entirely." [8] At the same time, MLRs are hurting jobs and making it harder for consumers and businesses to knowledgably navigate the health insurance marketplace by putting health insurance brokers out of work.

According to a 2010 Congressional Research Service report, the MLR rule creates incentives for insurers to cut back on the use of brokers or reduce their commissions.[9] And that is indeed happening. As the Government Accountability Office noted in a report on how insurers were reacting to MLR rules, "almost all…said they had decreased or planned to decrease commissions to brokers."[10]

That means less work and fewer jobs for the half-million Americans who work for or as health insurance agents and brokers.

It also means less help for consumers and businesses who rely on brokers to help them make smart decisions about health insurance. Unlike salaried health plan employees, agents serve the interests of their customers and advocate on their behalf when issues arise.[11]

A report by the Center for Studying Health System Change found that in addition to comparing and outlining health plan features and options, brokers essentially serve as human resources departments for small employers by assisting employees with claims and questions about benefits. The report also found that brokers help keep coverage costs lower by reducing the need for duplicative sales and marketing staff. [12]

Agents and brokers help individuals and small businesses save money on their health insurance -- far more, in fact, than the MLRs and their attendant rebate checks do.

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[6] http://www.naic.org/documents/committees_e_hrsi_comdoc_ahip_chart_mlr.pdf
[7] http://www.actuary.org/pdf/health/loss_july09.pdf
[8] https://www.cbo.gov/ftpdocs/107xx/doc10731/MLR_and_budgetary_treatment.pdf
[9] http://bit.ly/OEmhdt
[10] http://www.gao.gov/products/GAO-11-711
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