

Health Insurers Spending Millions to Comply with Reform Legislation

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Health insurers are spending tens of millions, overhauling health plans they offer and reconfiguring their technology used to assist customers to comply with federal health reform laws passed in March.

September 23rd was a major deadline, ushering in new mandated benefits for consumers. Insurers now pay for the full cost of preventive services such as mammograms and colonoscopies. They also must accept children regardless of their medical conditions, as well as waive the cash spending limits they had on customers for each year and for each person's lifetime.

"The removal of cost share on preventive services was a major change that impacted a lot of plans," said ConnectiCare spokesman Stephen Jewett. "That's a broad one. ... I suspect it impacted a lot of different plans at a lot of different insurance companies."

The public's first glimpse of changes related to reform was a batch of proposed rates announced in recent weeks -- increases of much more than 20 percent in some cases -- for health plans sold directly to individuals and families. Those rates take effect Oct. 1, and primarily affect new customers to the individual market. Rates for 2011 are expected in October and November.

But behind the scenes at insurance companies such as Aetna, CIGNA Corp., ConnectiCare and UnitedHealth Group, the work has been, as Hartford-based Aetna spokeswoman Susan Millerick said, "a very big, very complex job."

"The work is being managed at very senior levels in the organization and is being supported by hundreds of business and IT employees," Millerick said. "We estimate they have spent thousands of hours completing this work. For example, just providing the necessary information for the Web portal alone took 500 hours."

At Philadelphia-based CIGNA Corp., which has major operations in Bloomfield, the company is spending \$20 million in reform-related expenses that include additional technology investments, as well as efforts to meet tax policies and benefit requirements, said company spokeswoman Gloria Barone.

CIGNA created a reform-implementation team shortly after the law was passed, which meets regularly to study how the law will affect CIGNA and its customers.

"We began having monthly webinars with clients to understand their needs and to explain the legislation and regulatory requirements, with as many as 3,000 clients calling in for these sessions," Barone said.

UnitedHealth Group also made changes, some in advance of the requirements, such as allowing young adults up to 26 to stay on their parents' plan and in some preventive services, said company spokeswoman Cheryl Randolph.

The next obvious hurdle for health insurers will be submitting 2011 rates to state regulators. A higher price on premiums will almost certainly stir up several debates - with consumer advocates and the federal government over the cost of adding benefits related to reform, and with hospitals and doctors about how much rates are influenced by rising medical costs.

Additionally, health insurers are facing a requirement starting next year that they must pay 80 cents on medical expenses -- as opposed to insurance administration and profits -- for every dollar they earn in premiums on policies sold directly to individuals and families. For group plans, such as those offered by companies to their workers, insurers will have to pay 85 cents per dollar collected in premiums.

If health insurers don't spend the minimum amount on medical expenses, they may end up having to mail a rebate to customers in 2012.

To comply, insurers will surely have to cut costs. An unintended consequence could be the wellness programs and other health programs that insurers offer, said Jewett, the ConnectiCare spokesman.

"I don't want to say definitively that we're going to cut those services," Jewett said. "But I will say that we're in a position right now of evaluating places where we may need to cut our administrative costs, which include, right now, all our customer service, all our care coordination, all the specialty medical programs that we run. That is what constitutes administrative services within a health insurance plan."