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Subject: Healthcare law saves consumers \$1.2 billion nationwide

HHS Intergovernmental and External Affairs Notification

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From: Paul Dioguardi
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U.S. Department of Health and Human Services

RE: Healthcare law saves consumers \$1.2 billion nationwide

A new report released today by the Department of Health and Human Services (HHS) shows that 6.8 million consumers saved an estimated \$1.2 billion on health insurance premiums in 2012, due to the “rate review” provision of the Affordable Care Act, which brought unprecedented accountability to slow the growth of health insurance premiums. The Affordable Care Act, along with state efforts, continues to bring scrutiny to proposed health insurance rate increases and is saving consumers real money as a result.

Beginning on Sept. 1, 2011, the federal rate review rules under the health care law were implemented. These rules ensure that, in every state, insurance companies are required to submit for review and justify any proposed health insurance premium increase of 10 percent or more.

To assist states in this effort, the Affordable Care Act provides states with Health Insurance Rate Review Grants to enhance their rate review programs and bring greater transparency to the process. Forty-six states, the District of Columbia, and five territories have been awarded rate review grant funds to make the rate review process stronger and more transparent.

These provisions have put an end to the days when insurance companies could raise health insurance premiums by double digit percentages with little oversight. Because of rate review, the report released today shows that consumers have saved approximately \$1.2 billion over the past year in the individual and small group markets.

This initiative is one of many in the health care law aimed at saving money for consumers and specifically works in conjunction with the 80/20 rule, which requires insurance companies to spend at least 80 percent of premiums on health care or provide rebates to their customers, instead of overhead, administrative expenses. Thanks to the 80/20 rule, last year 77.8 million consumers saved an estimated \$3.4 billion up front on their premiums as insurance companies operated more efficiently. Insurance companies that did not meet the 80/20 rule provided nearly 8.5 million Americans with \$500 million in rebates. Americans receiving the rebate benefitted from an average rebate of \$100 per household. The most recent report on the 80/20 rule is available at: <http://www.cms.gov/CCIIO/Resources/Forms-Reports-and-Other-Resources/Downloads/2012-medical-loss-ratio-report.pdf>

The rate review report released today is available at: http://aspe.hhs.gov/health/reports/2013/acaannualreport/ratereview_rpt.cfm

Information on how states are using their rate review grant funds is available at: <http://www.cms.gov/CCIIO/Resources/Rate-Review-Grants/index.html>

General information about rate review is available at: <http://www.cms.gov/CCIIO/Programs-and-Initiatives/Health-Insurance-Market-Reforms/Review-of-Insurance-Rates.html>

Questions or Concerns? Contact HHSIEA@hhs.gov.

