

PRESS RELEASE

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Consumer Groups Applaud Federal Rejection of Texas Effort to Delay Health Reform Consumer Protection

(AUSTIN, Texas) – Federal officials today rejected the Texas Department of Insurance’s (TDI’s) request to delay full implementation of a new rule that requires insurers to increase the value of health insurance or provide rebates to policyholders.

“Texas’ request put insurer’s profits over consumer’s pocketbooks and would have set up the State to miss a critical opportunity to slow rising insurance premiums,” says Blake Hutson, advocate with Consumers Union, the policy and advocacy arm of *Consumer Reports*. “Today’s decision is a victory for Texas consumers who buy insurance on their own.”

The “medical loss ratio” rule, a key component of the federal health reform law, requires insurers to spend at least 80 percent of premium dollars on actual health care—as opposed to overhead and profit—or refund the difference to policyholders.

Texas sought approval from the U.S. Department of Health and Human Services (HHS) to lower the 80 percent medical loss ratio standard in the individual market—where people buy on their own directly from insurers, as opposed to job-based coverage—to 71 percent, 74 percent, and 77 percent in 2011, 2012, and 2013, respectively. In other words, TDI was seeking approval for insurance companies to keep 29 cents of every dollar for overhead in 2011, 26 cents in 2012, and 23 cents in 2013.

TDI estimates that Texas consumers will be due \$160 million a year in rebates or lower premiums under the new rule. The state’s request would have diverted \$260 million over three years due under the new federal health reform law to Texas consumers back to insurance companies, causing a loss of \$350 on average for each of the 745,000 Texans who buy insurance on their own.

Rebates must be paid by August 1 each year, with the first rebates sent by August 1, 2012.

“Texas consumers overcharged in 2011 can look forward to receiving rebates this summer,” says Stacey Pogue, senior policy analyst with the Center for Public Policy Priorities. “Today’s decision means Texas families will get to keep more of their hard-earned money.”

Seventeen states have asked for adjustments to the individual market MLR standard. So far, HHS has granted adjustments for six states (Georgia, Iowa, Kentucky, Maine, Nevada, and New Hampshire); has denied adjustments for nine states (Delaware, Indiana, Florida, Kansas, Louisiana, Michigan, North Dakota, Oklahoma, and Texas); and is still reviewing applications from two states (North Carolina and Wisconsin).

The Center for Public Policy Priorities and Consumers Union each submitted comments to HHS urging the agency to deny Texas' request. All documents related to Texas' MLR adjustment request including consumer group comments are available at: http://ccio.cms.gov/programs/marketreforms/mlr/mlr_texas.html.

More information on Texas' MLR adjustment request is available at: www.cppp.org/research.php?aid=1154&cid=3&scid=4.

For an interview, please contact Stacey Pogue at 512.320.0222, ext. 117 or Sondra Roberto, Consumers Union, at 718.986.9928.

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Founded in 1936, the nonprofit Consumer Reports has over 8 million subscribers to its magazine, website, and other publications. Its advocacy division, Consumers Union, works for health reform, food and product safety, financial reform, and other consumer issues in Washington, D.C., the states, and in the marketplace.

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