

## NEWSSTAND

### **Healthcare Update - News from Capitol Hill and The Department of Health and Human Services**

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[Leslie J. Levinson](#), [Edward Eynon](#)

The first steps in implementing the new healthcare reform law – Public Laws (PL) 111-148 and 111-152 – were in full swing at the Department of Health and Human Services (HHS) and other federal agencies by mid-May. Notably, regulations were released regarding health insurance coverage for young adults up to age 26, and new medical loss ratio requirements were debated as regulators moved forward on establishing such standards.

#### **HHS RELEASES RULE FOR EXPANSION OF DEPENDENT COVERAGE**

HHS' Office of Consumer Information and Insurance Oversight, along with the Internal Revenue Service and the Department of Labor's Employee Benefits Security Administration, released an interim final rule on May 10 relating to health insurance coverage of dependents up to age 26.

Under the rule, which was mandated by the new healthcare law, individual and group health insurance plans that currently provide coverage to enrollees' dependents must extend that eligibility to dependents up to age 26, including allowing for re-enrollments for those who have already lost coverage. The requirement will take effect for plan years beginning on or after September 23, 2010 and will apply regardless of a young adult's financial dependence on the enrollee, student status, marital status, or eligibility for other health insurance coverage.

The measure is seen as a way to prevent coverage gaps for recent college graduates and other young adults who may not immediately have access to health insurance coverage. In addition, it is also seen as one of the near term, immediate fixes to boost health insurance coverage this year, before longer term solutions are implemented in coming years, such as the establishment of health insurance exchanges in 2014.

According to agency estimates, if 1.24 million young adults enroll in 2011, premiums for employer-sponsored family health insurance plans would rise by 0.7 percent.

#### **MEDICAL LOSS RATIO REQUIREMENTS DEBATED**

In other HHS news, the agency's comment period on forthcoming medical loss ratio regulations closed on May 14. Under the new healthcare law, insurers in the large group market will be required to spend 85 percent of their collected premium dollars on medical costs, and insurers covering individuals and small businesses will be required to spend 80 percent. This threshold,

known as medical loss ratio (MLR), is due to begin in 2011, and insurers that do not meet the minimum standards will be required to provide rebates to their enrollees.

HHS requested comments on how various types of insurer outlays and programs should be classified in determining MLR, and the National Association of Insurance Commissioners is due to make recommendations to federal officials by June 1 on the same subject.

At issue is a provision in the law that allows activities that “improve healthcare quality” to be categorized as medical costs for MLR purposes, because it does not clearly define what those activities can be. As a result, health insurers have been making the case that spending on items not traditionally classified as “medical” – such as certain administrative costs and health information technology spending – do improve the quality of care and should therefore be classified as such.

**NEXT STEPS:**

We will continue to monitor HHS and other relevant federal agencies as the implementation of healthcare reform moves forward, and will provide timely updates as new developments occur.

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Should you have any questions on the content of this advisory, or wish to discuss any other healthcare related issue, please contact those listed below or call the Edwards Angell Palmer & Dodge LLP attorney responsible for your affairs.

Les Levinson, Partner, Chair, Healthcare Practice  
Teddy Eynon, Partner, Public Policy & Government  
Relations

212.912.2772

202.478.7379

[llevinson@eapdlaw.com](mailto:llevinson@eapdlaw.com)

[teynon@eapdlaw.com](mailto:teynon@eapdlaw.com)