

NEWSSTAND

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

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

In early June, the Department of Health and Human Services (HHS) announced a first round of grants to allow states to strengthen their insurance rate review processes. In other healthcare-related news, Congress continued to struggle with tax and benefits legislation that, among other things, would prevent a sizable cut to physicians' Medicare reimbursements.

INSURANCE RATE REVIEW GRANTS ANNOUNCED BY HHS:

The new Office of Consumer Information and Insurance Oversight (OCIIO) – part of HHS – announced June 7 that \$51 million in state grant dollars will soon be available to aid in the creation and enhancement of states' insurance rate review processes. This funding is a first installment in a \$250 million grant program authorized by the new healthcare reform law (Public Law 111-148) to ensure that consumers are protected from “unreasonable” rate increases and that they receive good value for their premiums, according to the OCIIO's Director, Jay Angoff.

Every state is eligible for grant dollars, whether or not it currently reviews rates, and in order to receive the grant, a state must submit a plan that explains how it will use the funds to develop or expand its program to review, approve or modify health insurance rate requests. In the upcoming regulatory process, OCIIO will have to determine the definition of “unreasonable” rate increases.

In addition to the grants, the new healthcare law also allows state and federal oversight on premiums and rate increases via medical loss ratio provisions that will take effect in 2011. Under those provisions, insurers must spend at least 80 to 85 percent of collected premiums on actual medical expenses, and those that do not meet the minimum standards will be required to provide rebates to their enrollees. HHS is currently working to determine which activities count toward the medical loss ratio threshold, particularly those that improve the quality of healthcare yet may not be traditionally defined as a medical expense.

BILL TO RESTORE PHYSICIANS' MEDICARE PAYMENTS DELAYED:

On Capitol Hill, Senate Democrats continued to wrangle over tax and benefits extension legislation – H.R. 4213 – during their first week back in session following the Memorial Day recess. Approved by a slim margin in the House of Representatives before the holiday weekend, H.R. 4213 would renew a variety of expired tax breaks, would extend unemployment benefits and would reauthorize several other programs that lapsed on May 31. In addition, the legislation

would reverse a 21 percent cut in physicians' Medicare reimbursements that took effect on June 1, while also providing small payment increases for the remainder of 2010 and 2011.

Senators spent the week of June 7 debating H.R. 4213 and working to amend the House-passed measure to alleviate concerns over certain provisions that were included in or excluded from the bill. In order to cut off debate and move to a vote on final passage, Senate Majority Leader Harry Reid (D-NV) must secure 60 votes, a feat that has not been easy given that all 59 Senate Democrats have yet to sign off on the measure and that no Republican has voiced his or her support. Given these complications, final action on H.R. 4213 is not expected until this week.

NEXT STEPS:

We will monitor Congress, CMS and other relevant federal agencies as the implementation of healthcare reform continues to move forward and other healthcare-related matters are considered, and will provide relevant 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 212.912.2772

llevinson@eapdlaw.com

Teddy Eynon, Partner, Public Policy & Government Relations 202.478.7379

teynon@eapdlaw.com