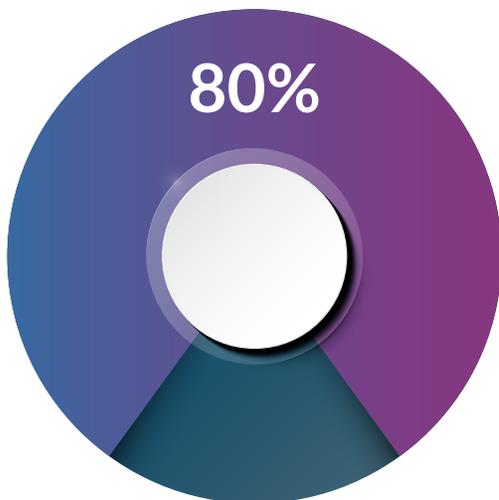


Policy debates on health care often focus on insurance premiums and coverage, with an outdated perception of the industry from before the implementation of the Affordable Care Act (aka Obamacare).

The ACA instituted numerous new regulations on the health insurance industry. In particular, it created medical loss ratio limits (MLR) to ensure that premiums are predominantly spent on medical care. In Colorado and throughout the country, this means:

- Individual and small group plans have an **80% MLR requirement** – 80 cents on the dollar **MUST** be spent on costs like hospitals and doctors, labs and scans, and prescription drugs
- Large group plans have an **85% MLR requirement** – 85 cents of every premium dollar **MUST** be spent on costs like hospitals and doctors, labs and scans and prescription drugs
- At most, 20 cents of every premium dollar can be spent on administrative costs such as business fees, customer engagement, technology and analytics, physician education, marketing, salaries and profit
- If a health plan does not meet the MLR requirements, it is required by law to refund its members

Individual and small group plans are required by law to spend 80 cents on the dollar on medical care.



For policymakers, it is crucial to understand the following:

1. MLR prevents insurance companies from taking savings from consumers to increase profits
2. The Commissioner of Insurance has the authority to review and reject excessive premiums for all individual and small group plans in Colorado as well as publicly report on the MLR of the industry annually
3. No other health care entity – not doctors, not hospitals, not drug manufacturing companies -- has spending requirements to ensure money is spent on care for patients. Similarly, no other health care entity has legal limits on administrative costs or profit.

Health plans continue to fight for lower prices for consumers and those lower prices have to be passed on to the consumer and approved by the Division of Insurance. It is the prices of health care services and drugs that drive premiums and the ability of carriers to sign up members to plans that drives profits.