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Obama Administration Unveils New Insurance Regs

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One of the biggest examples of government overreach under ObamaCare is one of the least talked about. Among many other intrusions into the market, the new national health care law imposes something called "medical loss ratio" requirements on insurance companies, which is a fancy way of saying that the government dictates to insurers the percentage of the premiums they collect that must be spent on medical care. Liberals argue that short of a fully government-run system, it's the only way to pressure insurers into allocating enough of their revenue toward providing medical care, rather than on marketing expenses and high executive salaries. Today, the Obama administration has come out with the actual regulations stemming from the law: 85 percent for large employers, and 80 percent for other policies.

Among the many problems with medical loss ratio requirements, is that the way they're designed makes it difficult for insurers to offer certain types of policies (especially plans which offer fewer benefits in exchange for cheaper monthly premiums). These requirements were at the root of the controversy that arose in September over McDonald's having to drop 30,000 workers from its health plans. Eventually, they were granted a waiver from the requirements. But a lot of businesses won't receive a waiver, meaning that insurers will have to stop offering some policies, and many of them will decide to exit the individual market entirely, due to the nature of the way the financing works. This will translate into less choice and competition, and is another way that the law will lead to people losing coverage they may like.

Also, it's no accident that the requirements were set at 85 percent and 80 percent. Last December, the Congressional Budget Office issued a memo saying that if the requirements were set any higher than that, health insurers would have to be considered part of the federal budget -- driving up the cost estimate of ObamaCare. As the CBO put it, referencing proposals for even more stringent requirements, "this further expansion of the federal government's role in the health insurance market would make such insurance an essentially governmental program, so that all payments related to health insurance policies should be recorded as cash flows in the federal budget." At the time, the Cato Institute's Michael Cannon pointed to the memo as a "smoking gun," revealing that Democrats had deliberately hidden the true cost of ObamaCare by making sure the CBO wouldn't factor in the cost of the private sector mandates imposed by the legislation.

Kaiser Health News has a roundup of stories on the new regulations. The journal *Health Affairs* put together a helpful issue brief on the topic.

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