Health care law may hamper limited insurance plans

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(AP) -- The new health care law could make it difficult for companies like McDonald's to continue offering limited insurance coverage to their low-wage workers.

The world's largest hamburger chain provides its hourly workers with low-cost plans known as "mini-meds" or limited benefits plans. These plans typically cover things like doctor's office visits and prescription drugs. But they don't provide comprehensive coverage, and they often come with a cap on how much the insurer pays in annual benefits that is much lower than a major medical insurance plan.

Next year, the health care law passed by Congress will require insurers to pay minimum percentages of 80 percent and 85 percent of the premiums they collect toward medical care, figures that may be hard to meet for some of these limited plans.

On Thursday, McDonald's denied a report that it's considering dropping health care coverage for some employees because they won't meet those limits.

The Wall Street Journal reported Wednesday that McDonald's has warned regulators it could drop its plan for some 30,000 workers unless the government waives a new requirement in the health care overhaul. The paper cited a memo from McDonald's to federal officials.

McDonald's said Thursday in a statement it has been speaking with federal agencies to understand the law, but the company called reports that it planned to drop health care coverage for employees "completely false."

A statement from the Department of Health and Human Services said the agency remains "committed to implementing the law in a way that minimizes disruption to coverage that is available today while also ensuring that consumers receive the benefits the (Affordable Care Act) provides."

Still, insurance experts say the medical loss ratios may create a coverage gap for some people before the law starts offering coverage help through subsidies in 2014.

Limited benefits plans have grown popular the past few years as health care costs have climbed, said Steve Wojcik, vice president of public policy for the National Business Group on Health. Employers in the retail or hotel industries offer this basic coverage as a way to keep workers and improve employee productivity by cutting health-related absences.

About 1.4 million workers have group health care coverage through limited benefits plans, according to the National Restaurant Association, which doesn't track growth of the plans.

The limited coverage means patients can be stuck with big bills if something serious happens, but they also can get insurer-negotiated payment rates for that care instead of paying full price.

"Compared to nothing they're a really good deal," said Robert Laszewski, a former insurance executive who's now a consultant. "Compared to comprehensive health insurance, they're a terrible deal."

These plans typically have medical loss ratios that can fall in the 70 percent range or below, far from the minimums that will be required next year. They collect relatively low premiums compared with comprehensive coverage, but they have many of the same administrative costs. That means some insurers could decide to stop offering them if they decide they can't meet the minimums.

"It will create a void in coverage between now and 2014 because it will make these plans untenable," Laszewski he said.

The National Association of Insurance Commissioners has been studying this issue for months so that it can make recommendations to Health and Human Services Secretary Kathleen Sebelius on how the requirement should be implemented. Some commissioners have suggested that minimum percentages should be phased in to avoid instability in local markets. Insurance analysts have warned that a strict medical loss ratio of 80 percent for individual and small group plans could mean plans won't be able to afford doing business in some regions.

The HHS statement noted that the medical loss ratio guidelines have not been finalized.

"We recognize that mini-med plans are often characterized by a relatively high expense structure relative to the lower premiums charged for these types of policies," the statement said. "We intend to address these and other special circumstances in forthcoming regulations."