

# Insurers speed health care overhaul preparations

March 23 2012, By TOM MURPHY , AP Business Writer

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(AP) -- The nation's big insurers are spending millions to carry out President Barack Obama's health care overhaul even though there's a chance the wide-reaching law won't survive Supreme Court scrutiny.

It's not that health insurers want to bet big that the court will uphold the Affordable Care Act. It's that they can't afford not to. It will take at least several months and lots of resources for insurers to prepare to implement key elements of the law, which includes a controversial requirement that most Americans have health insurance by 2014.

WellPoint Inc., the nation's second-largest health insurer with 34 million members, has said it will spend \$100 million this year on technology upgrades to meet the law's requirements. Aetna Inc., third-largest U.S. health insurer with more than 18 million members, says it expects to spend \$50 million this year in part to upgrade software and computers.

Even smaller insurers like Blue Cross Blue Shield of Michigan, a [private company](#) with 4 million members, are spending big. This year, the company, which employs 7,000 people, plans to add about 100 employees and spend nearly \$20 million.

The law calls for big changes in the number of people receiving coverage, what must be covered and who pays for it, so insurers that don't prepare until after the court's ruling, expected in late June, will run short on time, said Kirk Roy, vice president of national [health reform](#) with Blue Cross Blue Shield of Michigan.

"Waiting is too big a business risk for any insurer," said Roy, who was promoted to his current job shortly after the overhaul became law in 2010.

The Supreme Court will hear arguments over the law for three days starting Monday. Among other options, the justices could uphold the law, strike it down completely or get rid of some provisions.

Insurers will be paying particular attention to arguments over two key provisions. One is the so-called individual mandate that requires most people to carry health insurance by 2014 or pay penalties. Of equally high interest is the requirement that insurers cover everyone who applies even if they have a pre-existing condition, like diabetes, which can produce high medical costs.

The two mandates are important cogs in the law's push to expand coverage through health insurance exchanges set up by federal and state regulators. These exchanges will be mostly online marketplaces, where individuals and small business employees can go to comparison shop for insurance policies. Insurers are spending money to figure out how to set prices for their coverage on these exchanges, which will vary by state and require changes like the inclusion of subsidies to help people pay for coverage.

Much of the money insurers are spending is paying for a close look at how to set premiums high enough to cover the expected increase in claims from people with pre-existing diseases, but not so high that healthy customers are scared off. That includes research into how many people with chronic conditions will need expensive prescriptions or how their customers will use [health care](#).

"There's an awful lot of work that goes into preparing those kinds of analyses," said Sheryl Skolnick, an analyst at CRT Capital Group, an

institutional broker and dealer. "One should not do that in a rush because making a mistake could literally be fatal to the health plan."

Even though these changes wouldn't take effect for a couple years, insurers are preparing now because they'll need to have their plans ready several months before then. They will have to submit plans to regulators and then wait for a review and approval, the timing of which will vary by state. Additionally, they will need time to advertise the plans before customers will be able to start signing up in October 2013.

Insurers also have to prepare for more pressing deadlines. For instance, the overhaul requires for them to create benefits summaries by September that make it easier for consumers to compare coverage. The summaries will give consumers details like a plan's deductible or the annual amount a patient pays out of pocket for care before insurance coverage kicks in. They'll also give examples for how the plan would cover events like childbirth.

The forms aim to make insurance shopping easier, but they pose a headache for the industry, said Karen Ignagni, CEO of the trade association America's [Health Insurance](#) Plans. That's because the summaries will have to be adjusted, depending on the plan, to account for varied pharmacy benefits or provider networks. An insurer with 50,000 different small business customers would likely have to design thousands of different forms.

"It's not a simple matter of creating a computer program," Ignagni said.

If the health care law is altered or thrown out, some money spent this year would have to be written off. For instance, insurers won't need computer programs that interact with state-based exchanges or marketplaces.

But not all the money would be wasted. Roy, with Blue Cross Blue Shield of Michigan, says the overhaul has compelled insurers to make it easier for customers to understand their coverage and how much it costs - a valuable change whether or not the law is upheld.

"Generally people tell all of the insurance industry, 'Your stuff's complicated and confusing ... make that simpler,'" he said. "That's absolutely something that we're working on."

The overhaul also encourages insurers to invest in improving the quality of care and ultimately reducing costs. Market forces also encourage this: Health care costs are still growing faster than inflation and worker wages, and employers that provide coverage need help narrowing that gap.

"The forces that led us to the need for health care reform are not going away," said Les Funtleyder, health care portfolio manager with Miller Tabak, an institutional trading and asset management firm. "If not (the [Affordable Care Act](#)), there is going to be something else that replaces this."

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