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IT, labor costs to drive up rate-submission compliance costs, insurers say

January 7, 2013 | By Susan D. Hall

The IT and labor costs for complying with the pending rules for federal rate filing and data submission will be roughly 70 percent higher than the U.S. Department of Health & Human Services estimates, according to two [surveys](#) by the trade group, America's Health Insurance Plans.

While HHS has estimated the cost per filing at \$2,475, industry members see that being closer to \$4,300 on average and the number of filings growing from two or three in 2012 to as many as 40.

Under current rules, health plans are required to submit rate filings for small group and individual plans when annual premiums would rise by 10 percent or more. The new rules would require filing reports for products with rate reductions, with rate increases less than 10 percent, and those with static rates, the AHIP report states.

Complying would require IT upgrades and involve a certain amount of duplication because HHS uses a data-submission system called the Health Insurance Oversight System while most states use the System for Electronic Rate and Form Filing, or SERFF, maintained by the National Association of Insurance Commissioners. It would require reporting information in two different places in two different formats, as *Government Health IT* [points](#) out.

Some plans estimated their IT costs to be between \$500,000 and \$1 million.

The health reform law's medical-loss ratio requires insurers to spend at least 80 percent of premium revenue on claims (85 percent in the large group market) or send consumers rebates.

As one insurer put it in the survey, the IT and labor burdens associated with rate filings will be "a source of additional administrative costs and [appear] to be a serious contradiction to proposed goals of increasing efficiency as seen in the MLR requirements."

HHS has estimated that the cost for risk adjustment and reinsurance would be \$300,000 per plan and that the total system-wide cost would be just under \$600 million. According to the survey, the insurers predict the data collection process could range from about \$1.3 million (median estimate) to more than \$5 million (average estimate) per plan. Based on the health plans' estimates, the total system-wide cost could be well over \$1 billion.

One of the group's key recommendations is that the data-collection costs associated with risk adjustment and reinsurance be excluded from the definition of premium revenue because they are

mandated by regulation. The AHIP report notes that these and other regulatory compliance costs ultimately are paid by consumers through higher premiums.

The medical-loss ratio provision has forced insurers to [send consumers rebates](#) of about \$1.1 billion and cut \$350 million in administrative expenses, according to a recent report by The Commonwealth Fund.

The industry, meanwhile, has been lobbying to amend the MLR rules so that [fighting fraud is not counted](#) as administrative costs and to also [exclude broker fees](#).

To learn more:

- read the AHIP [report](#)
- here's the *Government Health IT* [article](#)

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