Research

How the Medical Loss Ratio Requirement Could Increase Health Insurance Premiums And Insurer Profits

ROBERT BOOK | APRIL 17, 2013

One of the most highly-touted features of the health reform law is a section requiring health insurers to maintain a minimum Medical Loss Ratio (MLR) – the dollar value of medical payments as a percentage of premium revenue, the difference going to administrative costs and profit. The goal of this provision is to encourage insurers to restrain administrative costs, and also to limit their profit. In effect, it seeks to limit premiums to a "fair" level, and enforce this limit *ex post* with rebates in the case of premiums that turned out to be "too high" compared to the past year's claims.