



AMERICAN ACADEMY *of* ACTUARIES

THE BOTTOM LINE ON

The Effects of Proposed Patient Protection Legislation on Managed Care

Patient protection legislation could ultimately lead to substantial increases in health insurance premiums for enrollees and even loss of coverage for some. Proposed reforms include provisions that allow greater patient access to medical providers, clarify and expand emergency care coverage and other specific managed care rules, and extend to enrollees the ability to appeal health plan decisions to an outside appeals board. Policy-makers must weigh the benefits to consumers and assess the potential cost implications for health plans against the possibility that access to affordable coverage will be reduced.

The American Academy of Actuaries' Managed Care Reform Work Group has published an issue brief addressing the two key issues at the center of the patient protection debate – the scope of applicability of proposed legislation and the ability of enrollees to file legal action against their health plan.* The paper also discusses possible employer response to enacted patient protection legislation.

In an attempt to assist policy-makers in their understanding of these key issues, the drafters conclude:

- Broad federal applicability of patient protection laws would provide the greatest uniformity, especially when an employer's plan provides coverage in more than one state.
- The ultimate effects of allowing enrollees to sue their health plans may not be felt for some time.
- Enactment of provisions that extend health plan liability could ultimately lead to increases in health insurance premiums as well as higher health plan costs.
- The loss of a good portion of the savings that have been achieved from the introduction of managed health care may occur.
- Companies will take steps to avoid corporate liability, which could subject such employers to additional costs.
- In efforts to offset rising costs, employers could respond to the threat of increased litigation by:
 - Increasing cost sharing with employees (i.e., higher deductibles, coinsurance, premiums, etc.,)
 - Adopting defined contribution approaches to providing health care benefits, or
 - Dropping health coverage altogether.

*An earlier paper titled, "Patient Protection and Managed Care," (Winter 1999), addresses some of the issues common to the various patient protection proposals at the time. The issue brief is available on the Academy's website at <http://www.actuary.org/briefs.htm>.

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