

Court Rules Against Massachusetts Insurers in Rate Dispute With State

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A Massachusetts judge ruled against health insurers in the companies' effort to stop the fallout from a recent state rejection of most of their latest rate proposals.

State regulators had rejected 235 of 274 proposed rate increases in the small-group market. The state's Division of Insurance had also ordered the rates be turned back to previous levels for April, or if the premiums have already been collected, that the difference be refunded. So the insurers took the case to court, asking for a quick order to reverse the state's rejections until the legal disagreement could be worked out.

"We are disappointed that the court denied our motion for preliminary injunction, but we appreciate that the court has acted quickly in making its decision," the Massachusetts Association of Health Plans said in a statement, noting it planned to "consider all of our available options in light of today's ruling." Though the decision from Suffolk Superior Court is an initial setback, insurers still have the option of pursuing administrative appeals with the regulator, and also continuing its legal objections in further court action.

The state had declared the proposed rates excessive and unreasonable for the benefits they were associated with. Commissioner Joseph Murphy used an emergency regulation to disapprove the filings (BestWire, April 5, 2010). The lawsuit represents insurers Blue Cross and Blue Shield of Massachusetts, Fallon Community Health Plan Inc., Harvard Pilgrim Health Care Inc., Health New England Inc., Neighborhood Health Plan Inc. and Tufts Associated Health Maintenance Organization Inc. (BestWire, April 6, 2010).

The office of Gov. Deval Patrick had argued the rate increases were "stifling economic growth and killing job creation." But the insurers, who said they were told any increases over 7.7% were too high, contend the level is arbitrary. The insurers' lawsuit contends the plans will "suffer collective losses that threaten to amount to well over \$100 million, losses that will deplete their individual reserves, weaken their financial stability and in some instance threaten their near-term solvency" (BestWire, April 6, 2010).

MAHP argues insurers are having to adapt to the spiking costs of medical care. "An increasing portion of the premium dollar is attributed to the cost of medical care, with four of the five major health plans experiencing operating losses last year," the group said. "Making health care affordable needs to start with addressing the market clout of certain hospitals and physician groups."

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