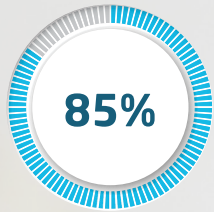


# Insurer Self-Dealing MEANS LESS RELIEF FOR PATIENTS



Today, insurers meet the 85% requirement by steering patients to companies they own — then paying those subsidiaries inflated prices.

Corporate Health Insurers are required to spend **at least 85% of premiums on patient care** — not profit. The requirement is called the **Medical Loss Ratio, or MLR**. But insurers have found a way to meet the letter of the law while defeating its purpose.

New research from the National Bureau of Economic Research confirms it: insurers are overpaying their own **PBMs, GPOs, Provider Groups, specialty pharmacies, and other subsidiaries** — payments that count as medical expenses under the formula while profits flow back to the parent conglomerate.

*Insurers didn't beat the 85% rule — they redefined what counts as "care."*

On paper, it looks like more money is going to patient care. In reality, it's money moving from one pocket of the insurer to another.

## WHAT THIS COSTS PATIENTS & TAXPAYERS

**9.5%**

More paid to insurer-owned subsidiaries than those they don't own

**\$1.2B**

Added to Medicare Part D spending from self-dealing, 2014–2016

### HOW THE LOOPHOLE WORKS

- **MLR rule:** Insurers must spend 85% of premiums on care.
- **Self-dealing counts:** Payments to owned subsidiaries qualify as "medical spending."
- **Profits shift:** Insurers overpay subsidiaries, moving profit outside MLR limits.
- **Bottom line:** Costs rise on paper — profits rise in reality.

### WHAT THE RESEARCH FOUND

- **17.8% vs. 2.9%** — insurers nearest the profit threshold overpaid subsidiaries six times more than those safely above it. The behavior is deliberate.
- **9.5% more** paid to owned subsidiaries than entities they did not own — a gap that appeared only after MLR rules took effect.
- Across **all drug classes** — largest in specialty, present even in generics.
- **21%** of total added costs absorbed by federal taxpayer through reinsurance and low-income subsidy payments.

### WHAT REFORM LOOKS LIKE

- ✓ **Transparency of insurer payments to subsidiaries** — Require full public disclosure of all payments to owned PBMs, specialty pharmacies, GPOs, and affiliates, benchmarked against arm's-length market rates.
- ✓ **Close the loophole:** Payments to insurer-owned subsidiaries above market rates must be treated as profit — not patient care.
- ✓ **GAO investigation** — Commission a comprehensive study on the full scope of MLR circumvention through subsidiary self-dealing across all payer markets, not just Medicare Part D.