



## Affordable Care Act Medical Loss Ratio: Why it's important to you

These basics will help you understand the Medical Loss Ratio (MLR) rebate provisions within the Affordable Care Act (ACA) law and what Anthem is doing to help you understand and benefit from it.

### What is the MLR?

The MLR provision within the Affordable Care Act (ACA) requires a health insurer to refund part of the premiums it receives if it does not spend at least 80% (for individuals and small employer groups) or 85% (for large employer groups) of the premiums on health care services, such as doctors and hospital bills, and/or on activities to improve health care quality, such as efforts to improve patient safety. No more than 20% (for individuals and small employer groups) or 15% (for large groups) of premiums may be spent on administrative costs such as salaries, information technology, advertising, or saved as profits. An employer group is considered large if it had > 50 eligible employees in the year prior to the MLR reporting year (certain states like California, New York, and Colorado, consider an employer group as "Large" if it has > 100 eligible employees). The MLR requirements apply to fully insured employer group and individual commercial health plans, including grandfathered plans. They do not apply to self-funded or stop loss coverage.

### MLR Rebates for the 2018 Year

Employer groups and individuals who are eligible for MLR rebates for the 2018 year will have their rebate checks and an accompanying letter mailed to them no later than September 30. If you do not receive an MLR rebate, Anthem met or exceeded the MLR requirements for your health plan, meaning Anthem spent at least 80% or 85% of your premium dollars on required health care expenditures.

## Frequently Asked Questions

### Q. Who is eligible for a rebate?

A. Any fully insured employer group or individual who had an active health insurance policy during the prior calendar year is eligible for a rebate, including employer groups or individuals who started their coverage at any point during the prior plan year. However, not everyone receives a rebate. For example, if Anthem spent at least 80% or 85% of your premium dollars on required health care expenditures, no rebate is issued.

### Q. Can you provide the exact calculations you used so employer groups can calculate the rebate amount?

A. Unfortunately no. The calculations are extremely complicated. However, the data that was reported to the federal government and the amount received is accurate based on the ACA MLR formula of what is required to meet the medical loss ratio requirement.



**Q. Are the rebate amounts based on covered employees (subscriber) or covered members (including dependents) covered on the plan?**

A. The rebate amounts are based on covered members (including the dependents) on the employer group plan.

**Q. Does receiving a rebate mean you'll reduce my premiums in the future?**

A. Receiving this rebate does not directly influence future premiums. Health plan premiums are based on estimated future costs of health care services and are calculated at least 12 to 18 months in advance of when actual health care costs occur. There are many factors that contribute to the premium rates charged to customers, such as the increase or decrease in consumer demand for health care services at physician offices and hospitals, increasing costs in medical and prescription drug costs, and advances in medical technology. At Anthem, we continuously commit ourselves to helping the health care industry identify and implement ways of controlling health care costs.

**Q. Why is the check amount different from what I calculated if I used the MLR percentage that was given on the notice?**

A. The MLR percentage that was provided on notices does not include state and federal tax adjustments. According to the ACA MLR rebate calculation formula, a certain percentage is deducted for taxes from the original MLR percentage, which impacts the final check amount customers received.

**Group example:** In the small employer group market we are required to meet 80% of premium spent on medical costs and quality programs. If we ended up spending 79.1%, or 0.9% less than what was required, we would rebate 0.9% minus 0.04% in state and federal taxes. So the final rebate percentage would be 0.86%.

**Q. Why are some employer group policy holders not getting a rebate?**

A. Anthem met or exceeded the MLR thresholds for health plans and policies offered in certain markets, but not in others. Those markets where Anthem didn't meet the thresholds requires Anthem to rebate monies to eligible policy holders while those markets where Anthem did meet the thresholds does not require Anthem to rebate monies to eligible policy holders.

**Q. What do employer group policy holders need to do to be eligible for an MLR rebate from Anthem?**

A. No action is required by policy holders. Anthem calculates the Medical Loss Ratio for each of its market segments based on federally mandated ACA requirements. Anthem then will pay rebates, with an accompanying notification, by September 30 as federally mandated.

**Q. What do Companies do with the MLR rebate check they just received from Anthem?**

A. Cash or deposit the check. It's owed to the employer group policy holder under federal ACA law.

**Q. Why did my Company receive multiple checks?**

A. Rebate checks are generated by billing group/case numbers. There is a small number of groups/cases that have multiple billing group/case numbers that will generate more than one check. However, most groups will receive only one check.

**Q. Can you cancel the check and apply the MLR rebate as a reduction to future premiums?**

A. No, unfortunately we cannot cancel the check and apply it to future premiums. However, you can deposit the check and pay it towards their next premium bill.



**Q. Does the group policy holder have to pay the rebate to its employees?**

A. If the group health plan is not a governmental health or church plan, the group health plan may have fiduciary responsibilities regarding use of the rebate funds under ERISA regulations. Some or all of the rebate may be an asset of the plan, which must be used for the benefit of the employees covered by the policy.

**Q. Does my Company need to pay taxes on this MLR rebate?**

A. Please consult your legal or tax advisor, as situations vary.

**Q. Why are employees of groups that receive the MLR rebates receiving letters about rebates owed to the employer group?**

A. This notification is required by the ACA law. The rebates are required to be paid to the employer group (with various limited exceptions), but it's the group's decision to determine how to distribute the rebate. Employers or group plan or contract holders must follow certain rules for distributing the refund.

**Q. Does the group policy holder have to pay the rebate to its employees if it is not an ERISA plan?**

A. If the employer group health plan is a non-federal governmental or church plan, the employer or group contract holder (not the health insurer) must distribute the rebate in one of two ways:

- Reducing premium for the upcoming year
- Providing a cash refund to employees covered by the plan

**Q. What if my Company's decision is to refund the monies to employees, however, an employee no longer works for my company?**

A. The employer group should try to locate the previous employee to distribute the portion of the rebate. The employer group can also choose to apply the refund toward future premiums of current employees.

**Q. Why are former employees getting rebate notices when they are no longer enrolled in an employer's plan?**

A. We mailed the required notice to employees of employer groups who will be receiving a rebate. Per the ACA, we are required to send the mailing to all employees enrolled at any point during the prior year, so this can include past employees.

**Q. If an active group has changed its name but hasn't yet changed it in your records, can a check be re-issued without the name being changed in Anthem's systems?**

A. Please submit the necessary legal documents to Anthem for the name change so we can update our system. Then we can request to have the check re-issued.

**Q. What happens if an employer group is acquired, goes out of business, and/or no longer exists?**

A. If the group is acquired or goes out of business, the group benefit administrator can contact us and ask for the check to be re-issued. They would need to submit legal documentation of the scenario and an explanation of what they would like to be done with the rebate. Once this is received, the check can be re-issued. If the rebate is going to be distributed by the former employer group, it needs to be distributed to the covered employees on the health plan of the original company.



**Q. If I have any other questions, who can I contact?**

A. If you are a California small employer whose health plan is with **Anthem Blue Cross**, please contact Anthem at 1-855-854-1429. California brokers please contact Broker Services at 1-800-678-4466.

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