

Medical loss ratio rebates

Employer FAQ

The Affordable Care Act includes a medical loss ratio (MLR) rebate provision. We want to help you understand this topic, including how the rebates are calculated and distributed.

MLR rebates — the basics

- The Affordable Care Act (ACA) requires health insurers to report MLRs to the U.S. Department of Health and Human Services.
- MLR is the percentage of premiums that insurers spend on medical care (including claims and activities that improve healthcare quality).
- The MLR provision encourages health plans to spend most of the premium dollars they collect on healthcare costs.
- Insurers can spend no more than 20% (for Individual and Small Groups) or 15% (for Large Groups) of premiums on administrative costs — such as salaries, information technology, and advertising — as well as profits.
- The MLR provision requires health plans to refund excess premiums if they do not spend a certain percentage on healthcare services — including doctor and hospital bills — or activities to increase healthcare quality. For fully insured Small Group and Individual plans, insurers must spend at least 80% of premiums for these purposes. For fully insured Large Groups, the threshold is 85%.
- MLR requirements apply to fully insured Small and Large Group and Individual Commercial health plans, including grandfathered plans. They do not apply to self-funded groups or stop loss coverage.
- An employer group is considered a Large Group if it had more than 50 eligible employees during the year prior to the MLR reporting year. Certain states, including California, New York, and Colorado, consider an employer to be a Large Group if it has more than 100 eligible employees.

Frequently asked questions

Who is eligible for a rebate?

Any fully insured employer group or individual who had an active health insurance policy during the prior calendar year is eligible for a rebate. This includes employer groups or individuals who started their coverage at any point during the prior plan year. No rebate is issued if an Anthem insurance health plan spent at least 80% of its premium dollars on required healthcare expenditures (for Small Group or Individual plans). For Large Group plans, the threshold is 85%.



What should companies do with an MLR rebate check?

They should cash or deposit the check within 180 days of receiving it. Otherwise, the bank will consider it a stale-dated check and won't honor it. Federal ACA law requires that employers provide a cash refund to subscribers or use it to reduce premiums for the upcoming year. Rebate distributions must be made within three months of receiving the rebate.

Does the group policyholder have to pay the rebate to its employees if it is an Employee Retirement Income Security Act (ERISA) plan?

If the group health plan is not a governmental or church plan, it may have fiduciary responsibilities regarding use of the rebate funds under ERISA. Some or all of the rebate may be an asset of the plan, which must be used for the benefit of employees covered by the policy. Please consult your company's benefit plan legal adviser for more information.

Does the group policyholder have to pay the rebate to its employees if it is not an ERISA plan?

If the employer group health plan is a nonfederal government or church plan, the employer or group contract holder (not the health insurer) must distribute the rebate within three months. They can choose to reduce premiums for the upcoming year or provide a cash refund to eligible employees covered by the plan. Please contact your company's benefit plan legal adviser for more information.

Does my company need to pay taxes on the MLR rebate?

Please contact your legal or tax adviser, as situations vary.

Can you provide the exact calculations used for MLR rebates?

Unfortunately, no. The MLR calculations are complicated; however, the calculations are audited and subject to detailed review by Anthem.

Are rebate amounts based on the number of employees (subscribers) or the number of members (including dependents) covered by the plan?

The rebate is based on members (including dependents) covered by the employer group plan.

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

No, health plan premiums are based on estimated future costs of healthcare services. They're calculated at least 12 to 18 months in advance of when actual healthcare costs occur. Many factors contribute to the premium rates charged to customers, such as:

- The increase or decrease in consumer demand for healthcare services at doctor offices and hospitals.
- Rising medical and prescription-drug costs.
- Advances in medicine.

Anthem is committed to helping the healthcare industry identify and implement ways to control these costs.

Can I calculate my rebate using the MLR percentage provided on my notice letter?

No, the MLR percentage shown on the notice letter references gross premiums — without MLR-eligible adjustments for taxes, licenses, and fees. These deductions impact the final rebate amount that employers receive.

Example: In the Small Group market, we are required to spend 80% of premiums on medical costs and quality-improvement programs. If we spend 79.1%, or 0.9% less than the 80% rebate threshold, we will rebate 0.9% of the premiums minus a small percentage related to the health plan's relevant state and federal taxes. So, the final rebate percentage would not equal what is reflected in the notice letter.

Why do some groups not receive a rebate?

Anthem is not required to issue rebates if at least 80% of premiums, for Small Group and Individual plans, are spent on required healthcare expenditures. For Large Groups, the required MLR threshold is 85%.

Are multiple employer welfare arrangements (MEWAs) eligible for a rebate?

No, MEWAs administered by Anthem as self-funded plans are not eligible for this rebate. This is because MEWAs perform a separate MLR rebate calculation.

What do employer group policyholders need to do to become eligible for an MLR rebate from Anthem?

No action is required by policyholders. Anthem calculates the MLR for each of its market segments based on federally mandated ACA requirements. Anthem then issues rebates along with a notification.

Why did my company receive multiple checks?

Rebate checks are generated by billing group or case numbers. Some groups have multiple billing group or case numbers, which will generate more than one check.

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

Unfortunately, we cannot. If you choose, you can deposit the check and use the funds to pay your next premium bill.

How quickly do I need to cash the refund check?

Consistent with most banking rules, checks become invalid 180 days after the issue date. If you are unable to cash the check within 180 days, please contact your Anthem employer group representative.

Why are my employees receiving letters about MLR rebates owed to the employer group?

This notification is required by the ACA. The rebates are required to be paid to the employer group — with various limited exceptions. The group decides how to distribute the rebate but must follow certain rules.

What if my company decides to refund the monies to employees, but an employee no longer works for my company?

You should try to locate the previous employee to distribute their portion of the rebate. You also can choose to apply the refund toward future premiums for current employees.

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

Per the ACA, we are required to mail the notice to all employees enrolled at any point during the prior year, including past employees.

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

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

What happens if an employer group is acquired, goes out of business, or no longer exists?

If the group is acquired and is no longer able to use its own bank account to cash the rebate check, the group administrator can inform us of the new employer's name. After receiving the necessary legal documents, we will reissue the check. If the group plans to redistribute the funds to its employees, then the funds should only be distributed to employees covered by the health plan of the acquired company.

Who should I contact if I have questions?

If you are an employer with an Anthem Blue Cross health plan, contact your Anthem employer group representative.