

Medical loss ratio: Why it's important to you

To help you better understand the medical loss ratio (MLR) rebate provision within the Affordable Care Act (ACA), and how it impacts you, we have put together these frequently asked questions.

What is MLR?

The medical loss ratio provision of the ACA encourages health plans to spend most of the premium dollars they collect on health care costs rather than overhead. It's a ratio of insurance claims costs to insurance premiums, and is expressed as a percentage.

The MLR provision requires health plans to refund part of the premiums they receive if they do not spend at least 80% (for fully insured small employer groups and individual plans) or 85% (for fully insured large employer groups) of the premiums on health care services, such as doctors and hospital bills, and/or activities to improve health care quality, such as efforts to improve patient safety. Insurers can spend no more than 20% (for individuals and small employer groups) or 15% (for large groups) of premiums on administrative costs such as salaries, information technology, advertising, or profits.

MLR requirements apply to fully insured small and large employer groups 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 large if it had more than 50 eligible employees in the year prior to the MLR reporting year. (Certain states, including California, New York and Colorado, consider an employer group large if it has more than 100 eligible employees.)

This year's MLR rebates will come early

We know our employer partners are facing uncertain times, and Anthem decided to accelerate the rebates this year to help provide relief during the COVID-19 emergency. We're required to issue rebate checks and a notice by mail no later than September 30. **This year, eligible employer groups will receive rebates in August.** As mandated, we will also notify the employees of groups that received rebates.

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 a plan spent at least 80% (for small employer groups or individual plans) or 85% (for large employer groups) of their premium dollars on required health care expenditures, no rebate is issued.

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

A. Unfortunately no. The MLR calculations are complicated. However, the calculations are subject to detailed review by Anthem and audited by CMS.

Q. Are the rebate amounts based on covered employees (subscribers) or covered members (including dependents) 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, rising 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's MLR rebate calculation formula, a certain percentage from the original MLR percentage is deducted for taxes, which impacts the final check amount employers receive.

Group example: In the small employer group market, we are required to spend 80% of premiums 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% of the premiums minus 0.04% for 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. In those markets where Anthem didn't meet the thresholds (at least 80% of premiums for small employer groups and individuals or 85% for large employer groups spent on required health care expenditures), we are required to rebate monies to eligible policy holders. In the markets where we did meet the thresholds, we are not required to issue rebates.

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

A. MEWAs administered by Anthem are not eligible for this rebate, as MEWAs perform a separate MLR rebate calculation.

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 MLR for each of its market segments based on federally mandated ACA requirements. As federally mandated, Anthem then issues rebates, with an accompanying notification.

Q. What should companies do with the MLR rebate check?

A. Cash or deposit the check. It's owed to the employer group policy holder under federal ACA law. ACA rules require that employers provide a cash refund to subscribers or use it to reduce premiums for the subsequent year. Rebate distributions must be made within three months of the policyholder's receipt of the rebate; therefore, the employer can use the rebate to pay current plan premiums.

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, it 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 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. Why did my company receive multiple checks?

A. Rebate checks are generated by billing group/case numbers. Some groups 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 toward your next premium bill.

Q. Does my company need to pay taxes on the 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. What if my company decides to refund the monies to employees, but an employee no longer works for my company?

A. You should try to locate the previous employee to distribute their portion of the rebate. You can also choose to apply the refund toward future premiums for 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 company goes out of business, we will issue the policyholder the rebate check for distribution equally among employees of the former health plan. If we can't locate the policyholder, we will distribute the rebate amount directly to the employees who were enrolled in the plan, in equal amounts. If the company was acquired and the rebate check needs to be issued to the acquiring company, the group administrator of the original company needs to provide us with legal documentation to support issuing the rebate check to the acquiring company.

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

A. If you are an employer group whose health plan is with Anthem Blue Cross and Blue Shield, contact your Anthem employer group representative. Brokers, please contact Broker Services.

Anthem Blue Cross and Blue Shield is the trade name of: In Colorado: Rocky Mountain Hospital and Medical Service, Inc. HMO products underwritten by HMO Colorado, Inc. In Connecticut: Anthem Health Plans, Inc. In Georgia: Blue Cross Blue Shield Healthcare Plan of Georgia, Inc. In Indiana: Anthem Insurance Companies, Inc. In Kentucky: Anthem Health Plans of Kentucky, Inc. In Maine: Anthem Health Plans of Maine, Inc. In Missouri (excluding 30 counties in the Kansas City area): RightCHOICE® Managed Care, Inc. (RIT), Healthy Alliance® Life Insurance Company (HALIC), and HMO Missouri, Inc. RIT and certain affiliates administer non-HMO benefits underwritten by HALIC and HMO benefits underwritten by HMO Missouri, Inc. RIT and certain affiliates only provide administrative services for self-funded plans and do not underwrite benefits. In Nevada: Rocky Mountain Hospital and Medical Service, Inc. HMO products underwritten by HMO Colorado, Inc., dba HMO Nevada. In New Hampshire: Anthem Health Plans of New Hampshire, Inc. HMO plans are administered by Anthem Health Plans of New Hampshire, Inc. and underwritten by Matthew Thornton Health Plan, Inc. In Ohio: Community Insurance Company. In Virginia: Anthem Health Plans of Virginia, Inc. trades as Anthem Blue Cross and Blue Shield in Virginia, and its service area is all of Virginia except for the City of Fairfax, the Town of Vienna, and the area east of State Route 123. In Wisconsin: Blue Cross Blue Shield of Wisconsin (BCBSWI), underwrites or administers PPO and indemnity policies and underwrites the out of network benefits in POS policies offered by CompCare Health Services Insurance Corporation (CompCare) or Wisconsin Collaborative Insurance Corporation (WCIC). CompCare underwrites or administers HMO or POS policies; WCIC underwrites or administers Well Priority HMO or POS policies. Independent licensees of the Blue Cross and Blue Shield Association. Anthem is a registered trademark of Anthem Insurance Companies, Inc.