Medical Loss Ratio Rebates for 2018

Talking Points & FAQs

The Affordable Care Act requires health plans to refund part of the premiums it receives if it does not spend at least 80% (for individuals and small groups) or 85% (for large groups) of the premiums on health care services, such as doctors and hospital bills, and activities to improve health care quality, such as efforts to improve patient safety. No more than 20% (for individuals and small groups) or 15% (for large groups) of premiums may be spent on administrative costs such as salaries and advertising. This is referred to as the Medical Loss Ratio requirement.

The Affordable Care Act requires that health carriers spend at least:

- **80%** of premiums received for **Individual and Family Plan and small group** plans on medical care or quality improvement programs.

- **85%** of premiums received for **large group** plans on medical care or quality improvement programs. A group is considered large if it had more than 100 eligible employees in the year before the Medical Loss Ratio reporting year and appropriately communicated this information to Blue Shield when asked to provide the information.

The Medical Loss Ratio requirements apply to all fully insured group and individual commercial medical health plans, including grandfathered plans. They do not apply to self-funded business. Rebates are paid if Medical Loss Ratio targets are not met.

Rebates are based on the previous calendar year's premiums and are due by September 30 each year.

BLUE SHIELD OF CALIFORNIA'S 2019 OBLIGATION

Blue Shield of California (Blue Shield) owes $9,640,575 in rebates to approximately 40,000 small group plan holders (DMHC regulated). The MLR for small groups insured by Blue Shield was 79.7%. Because Blue Shield missed the 80% target by 0.3%, it will refund 0.3% of the total health plan premiums paid by the employer and employees in those plans.

The following subscribers and employer groups **will not** receive 2018 plan year rebates, since Blue Shield met or exceeded the MLR targets for those health plans.

- Individual and Family members with Blue Shield of California Life & Health Insurance Company (Blue Shield Life) and Blue Shield plans

- Small businesses with Blue Shield Life
- Large groups with Blue Shield Life and Blue Shield plans

Key driver of the rebate

- Health plan premiums are based on estimated future costs of health care, which are forecast 12-18 months in advance. This is very complicated. The estimate for small groups insured by Blue Shield of California for 2018 were slightly above actual claims, so that money is being refunded.

2018 Medical Loss Ratio (MLR) Rebate
Q&A

Q. How will Blue Shield of California notify small group businesses that they are getting a rebate?
A. Blue Shield of California will send a notification letter and rebate check by Sept. 30, 2019.

Q. Why are some employer group plan and contract holders not getting a rebate?
A. Blue Shield met or exceeded the Medical Loss Ratio thresholds for health plans and policies offered to small groups insured by Blue Shield Life and Individual and Family Plan members and large groups with Blue Shield Life) and Blue Shield of California plans. Additionally, if a group did not pay a high enough premium rate in 2018 to have a rebate above $20, the regulations state that the rebate is deminimis and the group will not be paid a rebate. The deminimis rebates will be aggregated and added equally to each group who is receiving a rebate.

Q. What do subscribers and contract holders need to do to qualify for a rebate from Blue Shield or to claim a rebate that is owed?
A. Blue Shield calculated the Medical Loss Ratio for each of our market segments based on requirements provided by the Department of Health and Human Services. No action is needed by those who qualified for a rebate. They will be notified by Blue Shield per applicable requirements, and a rebate check will be sent to them.

Q. Why are subscribers of employer groups receiving letters about rebates owed? Will they receive rebates directly?
A. This notification is required by law, but it is up to the group to determine how to distribute the rebate according federal Medical Loss Ratio guidelines. Employers or group plan and contract holders must follow certain rules for distributing the refund.

If the group health plan is a non-federal governmental plan, the employer or group plan or contract holder must distribute the rebate in one of two ways:
- Reducing premium for the upcoming year.
- Providing a cash refund to plan subscribers.

Q. Does the fact that you owe rebates mean you spent too much on administrative costs and/or that the premiums you charge are too high?
A. We make every effort to minimize administrative expenses and keep our prices competitive. Health plan premiums are based on estimated future costs of health care, which are forecast 12-18 months in advance. This is very complicated. Sometimes we project them too high and sometimes too low.