

# SALES NEWS

Florida Blue   
In the pursuit of health™



August 4, 2017  
A17-141

Agent Service Center: 800-267-3156

## Medical Loss Ratio Rebates Will Be Mailed in Early August

**Sales Audience:** Small Group, Large Group

### Background

The Affordable Care Act requires carriers to spend a certain percentage of member premiums on medical claims and activities that improve the quality of care versus administrative expenses. If we spend less than the designated amount, we must rebate that portion back to the policyholder (for IU65 members) or group. This is called a Medical Loss Ratio (MLR). The MLR ratio for small groups is 80/20, and for large groups it's 85/15.

Based on our MLR calculations of **2016** premiums, Florida Blue will be paying rebates to some small groups and large groups. No IU65 rebates are required. In order to meet CMS requirements, 2016 rebate checks, along with CMS-mandated notices, must be mailed by September 30, 2017.

### Impacted Groups and Outreach

Florida Blue will send a letter with a check to group benefit administrators and a letter to policy holders to let them know that their group received a rebate. This table provides details and sample materials.

Group Total	23,500	Sample Letters	Mail Date
Small Group (Fully Insured HMO and PPO Plans)	HMO – 5,391 PPO – 15,607	<a href="#">Group Business Administrator Sample Letter</a>	August 7
Large Group (Fully Insured HMO Plans)	2,496		
Policy Holders	280,443	<a href="#">Policy Holder Sample Letter</a>	August 28

Groups Not Receiving Rebates include:

- Fully insured large groups with PPO plans
- All self-insured groups are excluded

*Continued on Page 2*

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## How Employers Can Distribute Rebates

ERISA-covered plans are required to follow the Department of Labor (DOL) guidance, which can be found here: [dol.gov/ebsa/newsroom/tr11-04.html](https://www.dol.gov/ebsa/newsroom/tr11-04.html).

- Employer groups subject to ERISA are required to treat the rebate as a plan asset.
- Uses may include, but are not limited to, reducing future premiums, or premium increases or rebating a portion back to the subscribers.
- Non-ERISA non-governmental plans and non-federal governmental plans (states, municipalities, etc.), are subject to federal regulations which state the rebate is required to be used for the benefit of the subscribers in one of the following ways:
- To reduce subscribers' portion of the annual premium for the subsequent policy year for all subscribers covered under any group health policy offered by the plan;
- To reduce subscribers' portion of the annual premium for the subsequent policy year for only those subscribers covered by the group health policy on which the rebate was based; or
- To provide a cash refund only to the subscribers who were covered by the group health policy on which the rebate is based.

**How the group employers choose to rebate may have tax and other legal consequences.** If they have questions, advise them to contact their legal or tax professional with questions regarding the handling of rebates as plan assets.

### Action

No sales action is required. Any groups who are due a refund will receive one. They do not need to request an MLR rebate. If they have further questions, they should contact their legal or tax professional.

Florida Blue  
MLR-Correspondence  
P.O. Box 40626  
Jacksonville, FL 32203



Date

Company

Address

City, State Zip

Policy #: <####>

Dear <First> <Last>,

In 2016, the overall medical costs for our members were lower than expected. This news means that your company is getting a rebate for a portion of your group's 2016 health plan premiums. The amount of the rebate is based on Medical Loss Ratio (MLR) guidelines from the Affordable Care Act.

You can distribute this rebate to your employees in one of two ways:

- Reduce premium for the upcoming year or
- Provide a cash rebate to employees or subscribers that were covered by the health insurance on which the rebate is based

If you have specific questions about the MLR rebate:

- Visit [www.floridablue.com/hcr/medical-loss-ratio](http://www.floridablue.com/hcr/medical-loss-ratio)
- Visit [www.healthcare.gov/health-care-law-protections/rate-review/](http://www.healthcare.gov/health-care-law-protections/rate-review/)
- Contact the Department of Labor's Employee Benefits Security Administration at 866-444-3272
- Call Florida Blue at 866-728-7034

Thank you for entrusting Florida Blue with your health care coverage.

Sincerely,

A handwritten signature in black ink that reads "Patrick J. Geraghty".

Patrick J. Geraghty  
Chief Executive Officer  
Florida Blue

ENCLOSURE

Letter required by HealthCare.gov and the Centers for Medicare and Medicaid Services

Health insurance is offered by Florida Blue. HMO coverage is offered by Florida Blue HMO, an affiliate of Florida Blue. These companies are Independent Licensees of the Blue Cross and Blue Shield Association.

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Florida Blue  
MLR-Correspondence  
P.O. Box 40626  
Jacksonville, FL 32203

08/24/16

### **Notice of Health Insurance Premium Rebate**

NAME  
ADDRESS  
City, State Zip

Re: Health Insurance Premium Rebate for Year 2015; Policy # XXXXXX

Dear CompanyName:

This letter is to inform you that Florida Blue will be rebating a portion of your health insurance premiums through your employer or group policy holder. This rebate is required by the Affordable Care Act – the health reform law.

The Affordable Care Act requires Florida Blue to rebate part of the premiums it received if it does not spend at least 80% percent of the premiums Florida Blue receives 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% percent of premiums may be spent on administrative costs such as salaries, sales and advertising. This is referred to as the “Medical Loss Ratio” standard or the 80/20 rule. The 80/20 rule in the Affordable Care Act is intended to ensure that consumers get value for their health care dollars. You can learn more about the 80/20 rule and other provisions of the health reform law at:  
<http://www.healthcare.gov/health-care-law-protections/rate-review/>.

#### **What the Medical Loss Ratio Rule Means to You**

The Medical Loss Ratio rule is calculated on a State by State basis. In Florida, Florida Blue did not meet the 80/20 standard. In 2015, Florida Blue spent only 79.4% of a total of \$838,936,029.00 in premium dollars on health care and activities to improve health care quality. Since it missed the 80% percent target by 0.6% of premium it receives, Florida Blue must rebate 0.6% of the total health insurance premiums paid by the employer and employees in your group health plan. We are required to send this rebate to your employer or group policy holder by September 30, 2016, or apply this rebate to the health insurance premium that is due on or after September 30, 2016. Employers or group policyholders must follow certain rules for distributing the rebate to you.

#### **Ways in Which an Employer Can Distribute the Rebate**

If your group health plan is a non-Federal governmental plan, the employer or group policyholder must distribute the rebate in one of two ways:

- Reducing premium for the upcoming year; or
- Providing a cash rebate to employees or subscribers that were covered by the health insurance on which the rebate is based.

If your group health plan is a church plan, the employer or group policyholder has agreed to distribute the portion of rebate that is based on the total amount all of the employees contributed to the health insurance premium in one of the ways discussed in the prior paragraph.

If your group health plan is not a governmental plan or a church plan, it likely is subject to the federal Employee Retirement Income Security Act of 1974 (ERISA). Under ERISA, the employer or the administrator of the group health plan may have fiduciary responsibilities regarding use of the Medical Loss Ratio rebates. 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. Employees or subscribers should contact the employer or group policyholder directly for information on how the rebate will be used. For general information about your rights regarding the rebate, you may contact the Department of Labor's Employee Benefits Security Administration at 1-866-444-EBSA (3272) or review the Department's technical guidance on this issue on its web site at <http://www.dol.gov/ebsa/newsroom/tr11-04.html>.

#### **Need more information?**

If you have any questions about the Medical Loss Ratio and your health insurance coverage, please contact Florida Blue toll-free at 1-866-728-7034 or <http://hcr.floridablue.com/hcr/medical-loss-ratio>.

Contact your employer or Administrator directly for information on how the rebate will be distributed. For general information about your rights regarding the rebate if your group health plan is subject to ERISA, you may contact the Department of Labor's Employee Benefits Security Administration at 1-866-444-EBSA (3272) or review the Department's technical guidance on this issue on its web site at <http://www.dol.gov/ebsa/newsroom/tr11-04.html>.

Sincerely,



Patrick Geraghty Authorized Executive  
Florida Blue

Florida Blue  
MLR-Correspondence  
P.O. Box 40626  
Jacksonville, FL 32203



Date

Name

Address

City, State Zip

Policy #: <#####>

Dear <First> <Last>,

In 2016, the overall medical costs for our members were lower than expected. This news means that your employer will get a rebate for a portion of 2016 health plan premiums. The amount of the rebate is based on Medical Loss Ratio (MLR) guidelines from the Affordable Care Act.

Your employer can use this rebate in one of two ways. They can:

- Lower group premiums for the upcoming year by the amount of the rebate or
- Give the rebate in cash to the employees that were covered by their health plan during 2016

If you have specific questions about the MLR rebate, you can:

- Contact your employer
- Visit [www.floridablue.com/hcr/medical-loss-ratio](http://www.floridablue.com/hcr/medical-loss-ratio)
- Visit [www.healthcare.gov/health-care-law-protections/rate-review/](http://www.healthcare.gov/health-care-law-protections/rate-review/)
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Thank you for being a Florida Blue member. We look forward to serving you for years to come.

Sincerely,



Patrick J. Geraghty  
Chief Executive Officer  
Florida Blue

ENCLOSURE

Letter required by HealthCare.gov and the Centers for Medicare and Medicaid Services

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MLR-Correspondence  
P.O. Box 40626  
Jacksonville, FL 32203

## Notice of Health Insurance Premium Rebate

August 9, 2016

NAME  
ADDRESS  
City, State Zip

RE: Health Insurance Premium Rebate for Year 2015; Policy # XXXXXX Group #: XXXXX

Dear NAME:

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- Providing a cash rebate to employees or subscribers that were covered by the health insurance on which the rebate is based.

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Sincerely,



Patrick J. Geraghty  
Chairman of the Board & CEO  
Florida Blue