



July 22, 2013

MLR Rebate Deadline Approaching

August 1, 2013 will mark the second consecutive annual medical loss ratio (MLR) deadline. Health plan issuers, if required, must issue rebates to policyholders by this date. The process and timetable are very similar to last year. Under healthcare reform's MLR requirements, health plan issuers (insurance carriers) must use between 80% and 85% of earned premium toward the cost of medical care, which includes payment for claims and the cost of healthcare quality improvements. Insurance carriers that spend less on medical care in a given calendar year than the specified amounts of 80% in the small group market and 85% in the large group market, must reimburse policyholders in the form of rebates no later than August 1st of the following year. (The rebate deadline will change to September 30th for the 2014 MLR reporting year for rebates issued in 2015.) Group health insurance MLR rebates only affect fully-insured plans and both grandfathered and non-grandfathered plans may be eligible for a rebate. Self-funded plans are not subject to MLR requirements, so employers who operate a fully or partially self-funded plan will not receive a rebate. More information regarding the MLR rules and the final regulations issued can be found in our [Final Medical Loss Ratio Rules Released](#) legislative update.

The rebate issued in 2013 is based on the health issuer's 2012 calendar year claim experience (the percent of premium used for medical care). Rebates are issued based on the health issuer's book of business results and not individual policyholder experience results. Policyholders (plan sponsors) providing coverage under a group health plan are responsible for determining the appropriate way to use the rebates and must adopt distribution methods that comply with ERISA (if applicable) and other governmental guidance. The Department of Labor (DOL) provided a technical release for ERISA plans which addressed fiduciary considerations and plan asset rules that may affect rebate distribution for plan sponsors subject to ERISA. Similarly, the Department of Human and Health Services (HHS) issued rebate distribution guidance for non-federal governmental plans (state and local government plans) that impacts how certain non-ERISA plan sponsors use MLR rebates. Please see our [Distribution of MLR Rebates](#) legislative update for more information regarding MLR rebate distribution, which summarizes the governmental guidance provided to both ERISA and non-ERISA plans. Policyholders (plan sponsors) receiving MLR rebates must consider the guidance issued when determining how to use MLR rebates to ensure rebates are used and distributed in a way that is compliant with all applicable guidance.

Rebate Notices

Health plan issuers are required to notify both the policyholder and all plan participants

("subscribers") who were enrolled during the plan year to which the rebate applies. The notice must provide detailed information about the rebate, including an explanation of how the rebate was calculated. Additional language must be included in the notice for plan sponsors subject to ERISA, which informs participants that the plan sponsor may have additional fiduciary obligations and provides contact information for rebate questions. Notices sent to participants of non-ERISA plans must contain an explanation as to how the rebate will be handled. Although insurers are not required to issue the notice to subscribers no longer covered by the policy when the rebate is issued, an insurer may provide a rebate notice to these individuals.

Should you have questions regarding MLR rebates or any other area of healthcare reform, please contact your Conner Strong & Buckelew account representative. For a complete list of Legislative Updates issued by Conner Strong & Buckelew, please visit our online [Resource Center](#).



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