Medical Loss Ratio Rebates Paid in 2014 - Frequently Asked Questions

After you read the FAQs, please provide your feedback.

1. Beginning July 8, 2014 CareFirst BlueCross BlueShield will distribute two types of Medical Loss Ratio (MLR) rebates for:
   • Certain Small Groups in Virginia owed new or additional amounts for the 2011 calendar year
   • Individual subscribers with Catastrophic Coverage in Maryland for the 2013 calendar year

Small Group Rebates for 2011 Calendar year:

2. Why are 2011 MLR rebates being paid?
   CareFirst audited the rebates that were distributed in 2012 for calendar year 2011 and determined that additional rebates were due.

3. Will interest be included?
   Yes, 21% interest is included on any amounts due for 2011.

General Questions:

4. What is Medical Loss Ratio (MLR)?
   The Affordable Care Act (ACA) – the federal health care reform law – required health insurers to spend a minimum percentage of the premiums they collect every calendar year on health care services and certain quality improvement activities for their members. This percentage is called the Medical Loss Ratio (MLR).

5. Does the MLR requirement apply to all plans?
   No. The minimum MLR requirement applies only to insured (Risk) health plans. The MLR rules do not apply to self-insured (Non-Risk or Administrative Services Only) accounts. Medicare Supplemental Plans are also excluded from MLR rebates.

6. What is required under the minimum MLR provision?
   MLR is calculated for an insurer’s entire book of business within each of three market segments in every state the insurer does business. MLR is not calculated under the federal rules for each individual employer group, individual insurance product, or subscriber. MLR is calculated for each of the following market segments:
   • Large Group Market (groups with 51+ employees) – Generally, insurers must spend at least 85 cents of every premium dollar they receive on health services and health quality initiatives.
   • Small Group Market (groups with 50 or fewer employees) – Generally, insurers must spend at least 80 cents of every premium dollar on health services and health quality initiatives for their members.
   • Consumer Direct (individual) – Generally, insurers must spend at least 80 cents of every premium dollar on health services and health quality initiatives for their members.
Beginning in calendar year 2011, if the minimum MLR threshold is not met within a market segment for the full calendar year, insurers must issue rebates for the difference in the following year.

7. **What timeframe is used to calculate the 2013 rebates paid in 2014?**
   MLR for this year will be calculated based on medical costs incurred in the 2013 calendar year.

8. **Does the MLR effectively control premiums?**
   Minimum MLR requirements will not affect or control rising health care costs, which are the underlying cause of higher premiums. Ultimately, meaningful steps must be taken to rein in the spiraling growth of medical costs by:
   - Fundamentally changing how health care is delivered,
   - Placing greater emphasis on preventive/primary care and eliminating preventable errors, infections and complications, and
   - Providing incentives that reward providers for achieving quality, cost-effective outcomes.

9. **How are rebates calculated?**
   The U.S. Department of Health and Human Services (HHS) has issued detailed instructions to health insurers for calculating MLR rebates. In its simplest form, MLR is calculated by taking the amount spent on medical claims and qualified health quality initiatives and dividing it by the premiums collected, minus certain federal and state taxes and fees. CareFirst files its calculations with all applicable regulatory agencies – HHS, the National Association of Insurance Commissioners (NAIC), and state regulatory agencies in our service area, as required under the law.

10. **What is a health quality initiative?**
    Insurers may include in the MLR calculation their costs for certain quality initiatives designed to improve the health of their members. If included, these costs would increase an insurer’s MLR. Examples include case management services by a nurse or caregiver and wellness activities (such as smoking cessation classes). Insurers can also include spending to:
    - Improve the health of members,
    - Prevent hospital readmissions,
    - Improve patient safety and reduce medical errors,
    - Modify member behavior through wellness and health promotion activities, and
    - Develop health care data used to improve quality, transparency and outcomes – such as incentive payments to providers in support of health improvement activities.

11. **When will rebates be paid?**
    All rebates must be issued to eligible subscribers or employer groups by August 1.

12. **Will all insurers pay rebates?**
    No. Some insurers owe rebates in one or more market segments, while others may not. CareFirst will pay rebates for any market segment(s) and product line(s) for which the MLR did not meet the minimum threshold.

13. **Why did some insurers not meet the minimum MLR threshold?**
    Insurers typically file proposed premiums with state regulators as much as 15 months before new prices take effect. These proposed premiums are based on historical estimates of
medical spending trends and are projected forward to cover the expected cost of future claims costs. In short, it’s an inexact science, which makes it extremely difficult to set prices at exactly the level needed to avoid paying rebates.

14. **Why would insurers seek to increase premiums if they paid rebates?**
   Premium increases are driven primarily by the underlying costs of providing medical care, which includes increases in both the prices of medical services – hospital stays, doctor visits, prescription drugs, etc. – and how much those services are utilized. In setting future premiums, insurers attempt to price their products to cover the actual costs and the estimated costs of future medical claims, reflecting the unique circumstances of their particular marketplace and enrollment profiles. Avoiding the need to pay rebates is just one element in the complex task of setting future premiums.

15. **How will eligible employer groups and subscribers receive their rebates?**
   As required under the law, CareFirst will mail any rebates to groups and individual subscribers, along with a letter that includes additional information about MLR.

16. **How large is the typical rebate?**
   There is no “typical” rebate size since amounts can vary by product, state and market segment.

17. **How will groups and subscribers know if they will receive a rebate?**
   All eligible employer groups and subscribers will be notified or receive a rebate by August 1. Eligible individual plan subscribers will receive rebate checks directly. Rebates for subscribers who are part of small or large group accounts will receive notification that a rebate will be paid to their employer (with certain exceptions).

18. **Can groups and members get more than one notice/rebate if they had more than one product or if the group changed plans during 2013?**
   The law requires that all groups and members qualifying for a rebate receive a letter for each product/legal entity/jurisdiction, notifying them they will receive a rebate. A group may have different products with different legal entities and therefore could receive a rebate for one product and not for another. Groups and members could also receive multiple notices/rebate checks if the group changed jurisdictions in 2013 (e.g., the group’s physical address changed from DC to VA).

19. **Do I need to do anything to receive my rebate?**
   If you are eligible to receive a rebate, no action is required. Eligible subscribers with individual plans will receive rebate checks directly. In most cases, for Group accounts, rebate checks will be sent to the employer. Under the law, the rebates are to be used for the benefit of the health plan’s subscribers (e.g., covered employees).

20. **Can rebate-eligible individuals and employer groups that dropped their CareFirst plan still receive rebates for the time in 2013 they were covered by CareFirst?**
   Yes. Both employer groups and individual plan subscribers who terminated their CareFirst coverage can receive rebates for that portion of the 2013 calendar year that was used for calculating MLR. This year, only those individual members with a CFMI Catastrophic Plan will receive a rebate based on calendar year 2013. Employer groups are not receiving rebates for any portion of the 2013 calendar year – only CFMI Catastrophic Plan members’ are receiving a rebate based on the 2013 calendar year.
21. **What are the tax implications for receiving a rebate?**
   You should consult with your tax adviser as to whether there are any tax implications in receiving a rebate. CareFirst is not in the position to offer tax guidance.

22. **Do COBRA subscribers receive a rebate?**
   The COBRA premium is paid to CareFirst by the group, not directly by the subscribers. Therefore, rebates are paid directly to the group. Rebate notices are mailed to COBRA subscribers in the groups. The group should provide the benefits of the rebate to COBRA subscribers in the same manner in which they provide benefits to their employees.

23. **Why are 2 signatures needed to endorse the Rebate check?**
   Two signatures are not required to endorse the check. The recipient of the check is the only name needed to endorse the check. The message on the top of the check “The face of this check has a burgundy and blue background on white paper and requires two (2) signatures” refers to the two signatures of the CareFirst executives printed on the bottom right of the check front.

**Questions – 2013 Rebates for Individual Plans:**

24. **Why wasn’t my rebate larger?**
   The amount of the rebate can differ depending on the specific product, geographic location and CareFirst affiliate (CFMI, GHMSI, and CareFirst BlueChoice) applicable to your account. Rebates are also proportional to the premiums you paid on a particular health plan in 2013. The only individual plan that received a rebate for the 2013 calendar year is the CFMI Catastrophic Plan.

25. **What happens if I changed CareFirst health plans during 2013?**
   Your rebate can vary depending on how much of the year you were covered by a rebate-eligible plan. If you changed CareFirst plans during 2013 and both products triggered rebates, you should receive separate checks that are prorated for the number of months that you were covered under each plan.

26. **My neighbor/friend/co-worker received a rebate. Why didn’t I?**
   Whether a rebate is paid and the amount of the rebate will differ depending on the health plan, the state in which the plan was issued and the CareFirst affiliate that administered the plan. If you know other CareFirst members who received rebates, they may have been covered under a different CareFirst health plan or affiliate.

27. **Can I appeal the rebate amount I received?**
   No. Since your rebate is calculated using specific criteria required under the law and federal regulation, ACA does not offer an appeals process. The amounts used in calculating rebates (premiums, fees, etc.) are filed with and subject to review by federal and state regulators.

28. **What happens if my check is lost in the mail?**
   If you believe that you are eligible for a rebate, you should call the Member Services telephone number on your ID card to confirm that your correct address is on file. You should follow the normal process for reporting to your employer or broker any address changes or corrections.

29. **Since I received a rebate this year, am I likely to receive a rebate again next year?**
MLR rebates are calculated based on actual medical costs incurred, money spent on quality initiatives, premiums charged, and taxes and other fees paid – all of which change from year to year. Receiving a rebate last year will not increase your chances for future rebates.

30. **Does receiving a rebate mean that CareFirst will reduce my future premiums?**
CareFirst seeks to price products at a level that’s sufficient to cover the costs to administer and pay our members’ health care claims, with a tiny margin that goes into reserves for the future protection and benefit of members. Going forward, CareFirst will continue to seek to ensure that premiums track closely to actual and anticipated medical spending trends.

31. **Does the fact that rebates were paid mean that insurers overcharged their members?**
No. Premiums are typically set far in advance of when they take effect. In setting prices, insurers project the expected cost of medical claims based on the then-current cost trends, which do not perfectly predict future results.

32. **Do subscribers over 65 get a rebate?**
Individuals over age 65 who are enrolled in a Medicare Supplemental plan/product were not included in the MLR calculations because there are different federal reporting requirements. Subscribers with those products are not eligible for MLR rebates. **Please Note:** Subscribers over age 65 who are covered under an employer group should benefit from any rebates paid to those employer groups, as noted below.

### Questions – Groups:
*(Please Note: 2011 Additional rebates are only for Groups)*

33. **Are employer groups required to provide employment data annually?**
Yes. At renewal each year, insurers will collect an employer’s employee counts for the prior calendar year. These group size counts are needed to determine the proper market segment classification of the employer needed for determining whether rebates are due under the MLR requirement.

34. **What should employers do with the rebates they receive?**
Employers or administrators of a group health plan, including plans offered by non-governmental employers subject to the Employee Retirement Income Security Act of 1974 (ERISA), may have fiduciary responsibilities regarding use of the MLR rebates. Some or all of an MLR rebate may be an asset of the plan which must be used for the benefit of employees covered by the policy.

As a general summary, for group health plans that are employer plans governed by ERISA or that are state or local governmental plans, an employer must distribute the rebate in one of three ways:

- Reduce employees’ portions of the premium for the upcoming year for those subscribers covered under any option offered by the health plan at the time the rebate is received;
- Reduce employees’ portions of the premium for the upcoming year for those subscribers covered under the option offered by the health plan to which the rebate applies at the time the rebate is received; or
• Provide a cash rebate to employees or subscribers who were covered by the health insurance on which the rebate is based.

CareFirst, however, cannot provide legal advice regarding an employer's obligations, and groups should consult with their legal or benefit advisors in light of their specific circumstances. Employers also may consult the Department of Labor’s guidance for group health plans subject to ERISA in Technical Release 2011-04, available at http://www.dol.gov/ebsa/newsroom, the guidance for state or local governmental plans at 45 C.F.R. § 158.242, or, for general information, the Department of Labor’s Employee Benefits Security Administration at 1-866-444-EBSA (3272).

A group health plan that is (1) not a governmental plan and (2) not governed by ERISA, such as a religious plan, should only receive a rebate if the plan provided CareFirst with written assurance that the plan would utilize any MLR rebates in the same manner as an ERISA plan or non-federal governmental plan. If so, the plan should comply with that attestation. If a church plan (or similar plan) does not provide such an attestation, CareFirst must distribute any applicable rebate to the group’s members in accordance with federal regulations.

35. How will the group know which employees are included in the rebate?
Rebate check(s) will be sent directly to the employer. Under the law, the rebate(s) should be used for the benefit of the health plan's subscribers (e.g., covered employees).

36. Will subscribers of employer groups that are no longer in business still qualify for rebates?
Yes. If CareFirst is unable to provide a rebate payment to a former group, rebate checks will be sent to any subscriber who was active or enrolled in the group for the period covered by the rebate.

37. Why does my letter list a state other than the one in which I live?
For Group accounts, rebates are calculated and paid to an employer based on the state in which the contract was issued. Thus, the state identified in the notice that you receive may differ from the state in which you live.

Questions – Church Groups that did not provide “written assurance”

38. What is meant by “written assurance?”
Certain employer groups not governed by the Employee Retirement Income Security Act of 1974 (ERISA) – churches and other tax-exempt religious organizations – must provide a signed statement, or “written assurance,” that any rebate they receive will be used for the benefit of their subscribers.

39. What happens if a church group provides “written assurance?”
If a church group provides written assurance that any rebate it receives will be used for the benefit of its subscribers, the rebate will be paid directly to the group, rather than to the members in the group. Such groups must use the rebate to reduce future premiums for subscribers or pay their subscribers directly.

40. What happens if a church group does not provide “written assurance?”
For those groups that did not provide written assurance in 2014 or prior, CareFirst will send rebates directly to subscribers who were active during the MLR reporting period.

Rebates paid in 2014 for the 2013 calendar year are based on the information that was provided in 2014 or prior. If your religious group provided the form we requested then it will be used for the 2013 rebate if one is due.

41. **What is the federal regulation for MLR rebates regarding “church groups”?**
A group health plan that is (1) not a governmental plan and (2) not governed by ERISA, such as a religious plan, should only receive a rebate if the plan provided CareFirst with written assurance that the plan would utilize any MLR rebates in the same manner as an ERISA plan or non-federal governmental plan. If so, the plan should comply with that attestation. If a church plan (or similar plan) does not provide such an attestation, CareFirst must distribute any applicable rebate to the group’s members in accordance with federal regulations.

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