

For brokers, general producers and full-service producers

Not intended for distribution to groups or members

May 22, 2018 **Market:**
Fully Insured

Medical Loss Ratio (MLR) Remediation Rebate Mailings Underway

Background

Under the Affordable Care Act (ACA), all health insurers must spend a minimum percentage of the premiums they collect on health care services and quality improvement activities for their members. This percentage is called the Medical Loss Ratio (MLR) and is calculated for an insurer's overall business based on the market segments in each state, not at the group level.

If the minimum MLR is not met within a market, insurers are required to pay a rebate to customers within that market segment.

- **Small group & Consumer Direct** (fully insured groups with 50 or fewer employees): Generally, insurers must spend at least 80 cents of every premium dollar they receive on health care services.
- **Large group** (fully insured groups with 51 or more employees): Generally, insurers must spend at least 85 cents of every premium dollar they receive on health care services.

Current situation

CareFirst has recalculated its MLR for reporting years 2011–2016 due to certain required claims adjustments. CareFirst will distribute remediation rebates with interest. The remediation rebate checks were mailed on May 19 and notifications will be mailed by June 1.

For the **MLR remediation reporting years 2011 – 2016**, remediation rebate checks will begin mailing, May 17, 2018, to the following:

- Large groups with BlueChoice coverage in Virginia and the District of Columbia
- Small groups with BlueChoice coverage in Maryland, Virginia, and District of Columbia

2016 rebates for the 2017 calendar payout year

For premiums paid in the 2017 calendar year, CareFirst will distribute remediation rebate checks to:

- BlueChoice Virginia Large Group: 367 groups
- BlueChoice DC Large Group: 504 groups
- BlueChoice Virginia Small Group: 3,091 groups
- BlueChoice Maryland Small Group: 14,121 groups

2015 rebates for the 2016 calendar payout year

For premiums paid in the 2016 calendar year, CareFirst will distribute remediation rebate checks to:

- BlueChoice Virginia Large Group: 399 groups
- BlueChoice DC Large Group: 489 groups
- BlueChoice Maryland Small Group: 14,656 groups

2014 rebates for the 2015 calendar payout year

For premiums paid in the 2015 calendar year, CareFirst will distribute remediation rebate checks to:

- BlueChoice Virginia Large Group: 399 groups
- BlueChoice DC Large Group: 489 groups
- BlueChoice Maryland Small Group: 14,656 groups

2013 rebates for the 2014 calendar payout year

There are no premiums paid in the 2014 calendar year for the BlueChoice population sets, therefore there will be no remediated 2013 rebate checks.

2012 rebates for the 2013 calendar payout year

For premiums paid in the 2013 calendar year, CareFirst will distribute remediation rebate checks to:

- BlueChoice DC Large Group: 451 groups

2011 rebates for the 2012 calendar payout year

For premiums paid in the 2012 calendar year, CareFirst will distribute remediation rebate checks to:

- BlueChoice Virginia Small Group: 2,905 groups
- BlueChoice DC Small Group: 2,588 groups

Rebate information

- Rebates are calculated based on the premiums paid for medical products by legal entity (CFMI, GHMSI or BlueChoice) and jurisdiction (MD, D.C., VA). As a result, groups that have products with different legal entities may receive a rebate for one product and not for another. Certain groups could also receive multiple checks.
- Employers should determine their legal and accounting obligations relating to the distribution of the rebate. CareFirst cannot provide legal or accounting advice to employers.
- Rebate notices will be sent to employer groups *before* notices are sent to eligible subscribers.



Contact information

The following MLR Customer Service phone numbers are provided in the notices:

- **Consumer Direct – Broker Service:** 888-755-2656, Member Service: 855-850-0939
- **Small group – Broker Service:** 888-285-8311, Member Service: 855-850-0940
- **Large group – Broker and Member Service:** 855-850-0937

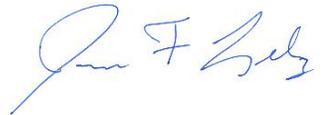
For more information about Medical Loss Ratio, please visit www.HealthCare.gov.

Frequently asked questions are also available online at www.carefirst.com/mlrremediationfaq.

If you have general questions, please contact your broker sales representative. For specific Consumer Direct or Small group or Large group questions, please contact the MLR Customer Service Center at the phone numbers above.



Tim Matthews
Vice President, Sales
Small-Medium Group SBU



Jim Leleszi
Vice President, Sales
Large Group SBU



Medical Loss Ratio (MLR) Remediation Rebates Paid in Current (Payout) Year For Previous (Rebate) Calendar Year

Frequently Asked Questions

CareFirst BlueCross BlueShield and CareFirst BlueChoice, Inc. (CareFirst) will distribute all eligible types of Medical Loss Ratio (MLR) rebates in the current (payout) plan year as warranted by the premium ratio for the previous (rebate) plan year. As in previous years, the rebate checks will be mailed during the month of September of this (payout) year for the previous (rebate) calendar year.

CareFirst has recalculated its MLR for reporting years 2011–2016 due to certain required claims adjustments. CareFirst will distribute remediation rebates with compounded interest. The remediation rebate checks will be mailed by May 19 and notifications will be mailed by June 1.

The following Frequently Asked Questions explain the MLR remediation distribution. Rebates are determined by product, market segment, and jurisdiction as explained below.

Special Remediation questions

- 1. CareFirst will distribute two types of Medical Loss Ratio (MLR) rebates in 2018 for:**
 - a. Certain BlueChoice large and small groups in the District of Columbia, Virginia and Maryland will receive remediation rebates for MLR reporting years 2011 – 2016.
- 2. Why are 2011 – 2016 MLR rebates being paid in May?**
 - a. This is a special remediation rebate mailing.
- 3. Will interest be included?**
 - a. Yes, 10% compounded interest is included on any amount due for MLR reporting years 2011 – 2016.
 - b. If the total of any interest paid to a group or subscriber is over \$600 in a year, a 1099 tax form will be distributed.
- 4. Why are there multiple checks for my group?**
 - a. This remediation impacted multiple years.

General questions

- 1. What is Medical Loss Ratio (MLR)?**

The Affordable Care Act (ACA) – the federal health care reform law – requires 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).
- 2. 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.

3. 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 (rebate) year, insurers must issue rebates for the difference in the following (payout) year.

4. What timeframe is used to calculate the previous calendar (rebate) year rebates paid in September of the current (payout) year?

MLR for this year will be calculated based on medical costs incurred in the previous calendar year, referred to as the rebate year.

5. 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.

6. 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.

7. 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
- Develop health care data used to improve quality, transparency and outcomes – such as incentive payments to providers in support of health improvement activities

8. When will rebates be paid?

All rebates must be issued to eligible subscribers or employer groups by September 30 of the payout year following the eligible rebate calendar year.

9. 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.

10. 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.

11. 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.

12. 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.

13. How large is the typical rebate?

There is no "typical" rebate size since amounts can vary by product, state and market segment.

14. 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 September 30 of the payout year for the previous calendar (rebate) year. 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).

15. Can groups and members get more than one notice/rebate if they had more than one product or if the group changed plans during the rebate year?

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 the rebate year (e.g., the group's physical address changed from D.C. to VA).

16. 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).

17. Can rebate-eligible individuals and employer groups that dropped their CareFirst plan still receive rebates for the time in the rebate year 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 rebate year that was used for calculating MLR. You do not have to be a currently-enrolled member to receive a rebate in the payout year.

18. 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.

19. 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.

20. Why are two 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.

Rebates for individual plans

21. 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 the rebate year.

22. What happens if I changed CareFirst health plans during the rebate year?

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 the rebate year 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.

23. My neighbor/friend/co-worker received a rebate. Why didn't I receive a rebate?

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.

24. 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.

25. 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 the back of your member 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.

26. 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.

27. 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.

28. 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.

29. 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.*

Rebates for groups

30. 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.

31. 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 866-444-EBSA (3272).

32. 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).

33. 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.

34. 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.

Church/religious groups and written assurance

35. 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 (church/religious groups or plans) – must provide a signed statement, or written assurance, that any rebate they receive will be used for the benefit of their subscribers.

36. What is the federal regulation for MLR rebates regarding church/religious groups?

A group health plan that is (1) not a governmental plan and (2) not governed by ERISA, such as a church or 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 written assurance. If a church/religious plan does *not* provide such written assurance, CareFirst must distribute any applicable rebate to the group's members in accordance with federal regulations.

Rebates paid during this payout year for the previous calendar (rebate) year are based on the information that was provided in during the payout year or prior. If your church/religious group provided the form we requested in the past, then it will be used for the current rebate payout, if one is due. The church/religious group will also receive a report showing the list of subscribers that received the rebate directly from CareFirst.

37. What happens if a church/religious group provides written assurance?

If a church/religious 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.

38. What happens if a church/religious group does not provide written assurance?

For those groups that did not provide written assurance this year or prior, CareFirst will send rebates directly to subscribers who were active during the MLR reporting period.

Updated 5/17/2018