



FREQUENTLY ASKED QUESTIONS

Medical Loss Ratio (MLR)

Alliant Health Plans will distribute Medical Loss Ratio (MLR) rebates as required by the premium ratio for the previous plan year. All rebate checks will be mailed no later than September 30, and are determined by product and market segment as explained in the general questions below. Brokers will be provided a list of groups eligible for the rebate.

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 (at 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 Alliant’s entire book of business within each market segment. 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.
- Individual/Family Plans – Generally, insurers must spend at least 80 cents of every premium dollar on health services and health quality initiatives for their members.

Beginning in 2011, if the minimum MLR threshold is not met within a market segment for the full calendar year, insurers were required to issue rebates for the difference in the following year.

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

MLR for this year will be calculated based on medical costs incurred in the previous *calendar* year.

5. How are rebates calculated?

The U.S. Department of Health and Human Services (HHS) issued detailed instructions to health insurers for calculating MLR rebates. In its simplest form, MLR rebates are 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.

Alliant 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.

6. What is a health quality initiative?

The MLR calculation may include certain quality initiatives designed to improve the health of their members. If included, these costs increase an insurer’s MLR. Examples may include case management services by a nurse or caregiver and wellness activities (such as smoking cessation classes). Insurers can also include the cost of:

- Improving the health of members
- Preventing hospital readmissions
- Improving patient safety and reducing medical errors
- Modifying member behavior through wellness and health promotion activities
- Developing health care data used to improve quality, transparency and outcomes – such as incentive payments to providers in support of health improvement activities

7. When will rebates be paid?

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

8. Will all insurers pay rebates?

No. Some insurers owe rebates in one or more market segments, while others may not. Alliant Health Plans will pay rebates for any market segment and product line for which the MLR did not meet the minimum threshold.

9. 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 not an exact science, which makes it extremely difficult to set prices at exactly the level needed to avoid paying rebates.

10. 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 marketplace and enrollment



profiles. Avoiding the need to pay rebates is just one element in the complex task of setting future premiums.

- 11. How will eligible employer groups and subscribers receive their rebates?**
As required under the law, Alliant Health Plans will mail any rebates to groups and individual subscribers, along with a letter that includes additional information about MLR.
- 12. How large is the typical rebate?**
There is no “typical” rebate size since amounts can vary by product and market segment.
- 13. 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 this year for the previous calendar 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).
- 14. 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.
- 15. 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).
- 16. Can rebate-eligible individuals and employer groups that dropped their Alliant plan still receive rebates for the time in the rebate year they were covered by Alliant?**
Yes. Both employer groups and individual plan subscribers who terminated their Alliant 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.
- 17. 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. Alliant Health Plans is not in the position to offer tax guidance.
- 18. Do COBRA subscribers receive a rebate?**

The COBRA premium is paid to Alliant Health Plans 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.

- 19. Why wasn’t my rebate larger?**
The amount of the rebate can differ depending many factors applicable to your account. Rebates are also proportional to the premiums you paid on a health plan in the rebate year.
- 20. 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 and the segment of business. If you know other Alliant members who received rebates, they may have been covered under a different type of health plan.
- 21. 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.
- 22. What happens if my check is lost in the mail?**
If you believe that you are eligible for a rebate, you should contact your employer or broker to verify and submit any address changes or corrections.
- 23. If 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 one year will not increase your chances for future rebates.
- 24. Does receiving a rebate mean that Alliant will reduce my future premiums?**
Alliant 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, Alliant will continue to seek to ensure that premiums track closely to actual and anticipated medical spending trends.
- 25. 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.