

Medical Loss Ratio Refund

Everett School Employee Benefit Trust
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HCR: Medical Loss Ratio Rule

- Health Care Reform requires insurance companies to spend at least 85% of premiums collected on health care or activities to improve health care quality
 - If insurance company does not, it must refund the difference to its policyholders, like the Trust

UnitedHealthcare MLR Refund

- During 2011, UnitedHealthcare spent only 84% of premiums collected on health care or activities to improve health care quality
 - Refunded 1% of premiums collected during 2011 to policyholders in July 2012
 - Trust's share was \$57,268.95
- Group Health spent the required 85% and will not be issuing a refund for 2011

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Required Distribution of Refund

- Regulations for non-federal governmental plans require Trust to distribute part of the refund to subscribers (employees and COBRA participants)
 - Required to distribute percentage of refund based on the percentage of UnitedHealthcare premiums paid by subscribers in 2011

Required Distribution of Refund (cont.)

- Percentage of total premiums paid to UnitedHealthcare during 2011
 - Total UHC premiums for 2011: \$4,706,801.22
 - UCH Premiums paid by subscribers in 2011: \$355,991.15
 - Trust paid 92.5% of premiums
 - Subscribers paid 7.5% of premiums
 - Thus, Trust must distribute 7.5% of the \$57,268.95 rebate, or \$4295.17, to subscribers

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Methods of Distribution

- Federal regulations require distribution to be made to 2012 subscribers, even though the “excess” premiums were paid during 2011
- Two possible groups to receive distribution
 - To 2012 subscribers in the plan option in question
 - This method not available to the Trust because UHC is not a plan option in 2012
 - To all 2012 subscribers in all plan options
 - Trust must use this method

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Method of Distribution (cont.)

- Distribution can be made in two ways
 - Cash (after-tax for most subscribers)
 - Reduction in premiums during 2012
- Distribution will be less than \$3 per subscriber
 - Recommendation is to reduce premiums in 2012 because easier and less costly from administrative standpoint

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