To: Employees Participating in Health Insurance Provided by the Everett School Employee Benefit Trust

If you had health insurance from UnitedHealthcare (UHC) during 2011, you may have received a letter from UHC announcing that UHC was issuing a rebate check to the Trust as required by federal health care reform legislation, known as the Affordable Care Act. We are writing to give you additional information concerning this rebate and what it means to you.

The Affordable Care Act requires health insurers to issue rebates to policyholders, such as the Trust, if the insurer fails to spend 85% of the premiums collected on health care and activities to improve health care quality. During 2011, UHC spent only 84% of the health insurance premiums that UHC collected on these activities. Thus, UHC was required to rebate 1% of premiums to its policyholders. The Trust's share of the UHC 2011 rebate for the State of Washington was $57,268.95, which the Trust received in July of 2012.

The Affordable Care Act also requires the Trust to distribute a portion of this rebate to employees, based on the percentage of UHC premiums paid by employees during 2011. During 2011, the total amount of premiums paid by employees and the Trust to UHC was $4,706,801.22. Employees paid $355,911.15, or 7.5% of this total amount and the Trust paid the remaining 92.5%. Thus, the Trust is distributing 7.5% of the $57,268.95 rebate, which is $4295.17, to employees.

Under the federal regulations concerning these rebates, the Trust is distributing the rebate to all employees participating in any health insurance option offered by the Trust during 2012. There are ______employees participating in a Trust health insurance option during 2012. The $4295.17 will be distributed equally among these employees, with each employee receiving $2.__.

This distribution will be made to employees by reducing their premiums for health insurance by $2.___ during the month of November.

Enclosed are the answers to some Frequently Asked Questions concerning the rebate. If you have any questions after you have reviewed this material, please contact _________________

Sincerely,

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FREQUENTLY ASKED QUESTIONS CONCERNING UNITEDHEALTHCARE REBATE

Why did UnitedHealthcare issue the rebate to the Trust?

The federal health care reform law, known as the Affordable Care Act, requires health insurance companies to issue these rebates if the health insurance company fails to spend 85% of the premiums it collects on health care and activities to improve health care quality during the calendar year. UHC only spent 84% of the premiums that UHC collected on these activities.

Is there a specific name for these rules under the Affordable Care Act?

Yes, these rules are known as the medical loss ratio rules.

What is the purpose of the medical loss ratio law?

According to the federal government, this regulation helps policyholders get good value for their health insurance premium dollars by requiring insurance companies to spend premium dollars on medical care and health care quality improvement activities, rather than administrative costs and profits (such as executive salaries, overhead, and marketing). If insurance companies don't spend their premiums dollars as required by the regulations, the insurance companies are required to provide the medical loss ratio rebates to policyholders starting in 2012.

Has the Trust ever received a rebate like this before?

No, this is the first year that health insurance companies were required to issue these rebates.

Why didn't UHC issue checks directly to employees?

The Affordable Care Act requires health insurance companies to issue the rebates to the policyholders. Since this is a group insurance policy (and not separate individual policies issued to each employee), the policyholder of the UHC health insurance policy in 2011 was the Trust.

Why did the Trust decide to use the rebate to reduce premiums instead of writing checks to the employees?

Because the amount of the distribution due each employee is so small, it was more efficient and cost-effective to reduce premiums rather than to issue checks to employees. In addition, if the Trust had issued checks to employees, the amount of the distribution would have been taxable income to the employees.

Why didn't the Trust distribute the rebate only to those employees which participated in UHC health insurance in 2011?

The federal regulations do not allow this option. The federal regulations would have allowed the distribution to be made to employees participating in UHC health insurance during 2012, but the Trust did not offer UHC health insurance to employees in 2012.

Which federal agency is responsible for this part of the Affordable Care Act?

The federal agency responsible for these rules is the Department of Health and Human Services ("HHS").

Where can I read further information about the medical loss ratio rules?

Additional information can be found at the website of HHS at:
http://www.healthcare.gov/news/factsheets/2010/11/medical-loss-ratio.html