



Kansas City

An Independent Licensee of the Blue Cross and Blue Shield Association

<<DATE>>

Kansas Small Group Members

One Pershing Square
2301 Main
P.O. Box 419169
Kansas City, MO 64141-6169
Telephone: 816-395-2222
www.BlueKC.com

«SUB_FIRST_NM» «SUB_LAST_NM»
«SUB_ADDR_LN_1»
«SUB_ADDR_CITY», «SUB_ADDR_ST_CD» «SUB_ADDR_ZIP_CD_5»

Dear Member:

I am writing to you to provide important information related to your healthcare plan. You likely realize that several components of the federally approved healthcare reform law, the Affordable Care Act (ACA), have been implemented over the past two years. One component of the law that went into effect in 2011 for all insurance companies was the Medical Loss Ratio (MLR), which has an impact on how we calculate potential rebates to our customers. Following are few additional points to help you understand how the MLR and rebate process works under the ACA.

What is the Medical Loss Ratio?

Medical Loss Ratio (MLR) is a technical term used to define the amount of premium dollars used for medical expenses. Under the ACA law, all insurance companies are required to spend at least 80 percent of each premium dollar (in the small group market) on healthcare our members receive or on improving the quality of care. In 2012, members were healthier than we anticipated and had lower claim costs. Accordingly, members are receiving rebates.

Am I eligible for a rebate?

Blue Cross and Blue Shield of Kansas City (Blue KC) is issuing MLR rebates to approximately 9 percent of our members. You are part of this 9 percent and, as an eligible member, Blue KC is issuing a rebate for you for 2012. Your actual rebate amount will vary based on your employer's contribution to your premium payment.

How will I receive the rebate?

This rebate has been provided to your employer; they are responsible for determining how the rebate will be distributed to their employees (options include a reduced premium for the upcoming year or a cash refund).

(As a requirement under ACA we have also enclosed a technical letter that the Department of Health and Human Services has requested we send to individuals that receive an MLR rebate.)

Need more information?

If you would like more information and have access to the Internet, I encourage you to visit kchealthcarereform.org. In addition to information about MLR, this site also includes a list of frequently asked questions and details about healthcare reform changes that may impact you. You can also contact a member of our Customer Service team at the phone number listed on your Blue KC member ID card, Monday through Friday, from 8 a.m. to 8 p.m. Central Time.

Thank you for being a part of Blue KC. We appreciate your business very much.

Sincerely,

David Gentile
David Gentile

President and Chief Executive Officer

Notice of Health Insurance Premium Rebate

<<DATE>>

«SUB_FIRST_NM» «SUB_LAST_NM»
«SUB_ADDR_LN_1»
«SUB_ADDR_LN_2»
«SUB_ADDR_CITY», «SUB_ADDR_ST_CD» «SUB_ADDR_ZIP_CD_5»

Re: Health Insurance Premium Rebate for Year 2012; «SUB_ID»

Dear «SUB_FIRST_NM» «SUB_LAST_NM»,

This letter is to inform you that Blue Cross and Blue Shield of Kansas City (Blue KC) will be rebating a portion of your health insurance premiums through your employer or group policy holder. This rebate is required by the Affordable Care Act – the health reform law.

The Affordable Care Act requires Blue KC to rebate part of the premiums it received if it does not spend at least 80 percent of the premiums Blue KC receives on health care services, such as doctors and hospital bills, and activities to improve health care quality, such as efforts to improve patient safety. No more than 20 percent of premiums may be spent on administrative costs such as salaries, sales, and advertising. This is referred to as the “Medical Loss Ratio” standard or the 80/20 rule. The 80/20 rule in the Affordable Care Act is intended to ensure that consumers get value for their health care dollars. You can learn more about the 80/20 rule and other provisions of the health reform law at: <http://www.healthcare.gov/law/features/costs/value-for-premium/index.html>.

What the Medical Loss Ratio Rule Means to You

The Medical Loss Ratio rule is calculated on a State by State basis. In your State, Blue KC did not meet the 80/20 standard. In 2012, Blue KC spent only 79.1% of a total of \$57,716,580 in premium dollars on healthcare and activities to improve health care quality. Since it missed the 80 percent target by 0.9 percent of premium it receives, Blue KC must rebate 0.9 percent of the total health insurance premiums paid by the employer and employees in your group health plan. We are required to send this rebate to your employer or group policyholder by August 1, 2013, or apply this rebate to the health insurance premium that is due on or after August 1, 2013. Employers or group policyholders must follow certain rules for distributing the rebate to you.

Ways in Which an Employer Can Distribute the Rebate

If your group health plan is a non-Federal governmental plan, the employer or group policyholder must distribute the rebate in one of two ways:

- Reducing premium for the upcoming year; or
- Providing a cash rebate to employees or subscribers that were covered by the health insurance on which the rebate is based.

If your group health plan is a church plan, the employer or group policyholder has agreed to distribute the portion of the rebate that is based on the total amount all of the employees contributed to the health insurance premium in one of the ways discussed in the prior paragraph.

If your group health plan is not a governmental plan or a church plan, it likely is subject to the Federal Employee Retirement Income Security Act of 1974 (ERISA). Under ERISA, the employer or the administrator of the group health plan may have fiduciary responsibilities regarding use of the Medical Loss Ratio rebates. Some or all of the rebate may be an asset of the plan, which must be used for the benefit of the employees covered by the policy. Employees or subscribers should contact the employer or group policyholder directly for information on how the rebate will be used. For general information about your rights regarding the rebate, you may contact the Department of Labor's Employee Benefits Security Administration at 1-866-444-EBSA (3272) or review the Department's technical guidance on this issue on its web site at <http://www.dol.gov/ebsa/newsroom/tr11-04.html>.

Need more information?

If you have any questions about the Medical Loss Ratio and your health insurance coverage, please contact Blue KC toll-free at 888-989-8842 or BlueKC.com.

Contact your employer or Administrator directly for information on how the rebate will be distributed. For general information about your rights regarding the rebate if your group health plan is subject to ERISA, you may contact the Department of Labor's Employee Benefits Security Administration at 1-866-444-EBSA (3272) or review the Department's technical guidance on this issue on its web site at <http://www.dol.gov/ebsa/newsroom/tr11-04.html>.

Sincerely,



David Gentile
President and Chief Executive Officer
Blue Cross and Blue Shield of Kansas City