



Kansas City

An Independent Licensee of the Blue Cross and Blue Shield Association

Missouri Small Group Letter

One Pershing Square
2501 Main
P.O. Box 419169
Kansas City, MO 64141-6169
Telephone: 816-395-2222
www.BlueKC.com

<DATE>

<FIRST NAME> <LAST NAME>
<GROUP NAME>
<ADDRESS1>
<ADDRESS2>
<CITY><STATE><ZIP>

Dear Group Executive,

Thank you for doing business with Blue Cross and Blue Shield of Kansas City (Blue KC). As the only locally-owned and operated health insurance company in the region, we recognize you have a choice for health insurance coverage, and appreciate your decision to choose Blue KC for your employees.

Enclosed is a rebate check and regulatory notice required by the Affordable Care Act (ACA). Below you will find background on why you are receiving this check, and information you need to know about how the U.S. Department of Health and Human Services (HHS) requires you to use this money.

Background

In 2011, all health insurance companies became subject to new requirements as a result of the ACA. Under the Medical Loss Ratio (MLR) regulation, health insurers must spend at least 80% of the insurance premium received as claims or on medical quality improvement expenses for all small groups. If we do not spend the required percentage of premium, we must refund the balance to the employer. This refund is referred to as a rebate.

For coverage in effect in 2012, Blue KC did not spend 80% of the premium we received for claims and medical quality improvement expenses for our small group Preferred-Care and Preferred-Care Blue PPO plans. This calculation is not specific to your coverage, and is based on all Blue KC small employer clients in your state. As a result, Blue KC is refunding a portion of the premium you paid to us in 2012 in the enclosed check.

For our small group Blue-Care HMO plans, Blue KC spent greater than 80% of premiums received. As a result, no rebates will be paid for Blue-Care HMO plans.

Notices to Employees

The ACA requires us to send a notice to your employees to inform them that you are receiving this rebate. Blue KC will mail a pre-defined regulatory notice to your *employees that were* covered under a Preferred-Care or Preferred-Care Blue PPO plan in 2012. The notice will be mailed the week of July 30, 2013. To help explain the process and documents to employees, Blue KC is adding a supplemental letter to the required notice.

Continued on reverse

We understand how complex many of the Affordable Care Act's regulations are and we are happy to help clarify any aspect of the law on your behalf. As a point of reference, frequently asked questions about the MLR requirements and samples of the employee notices can be found on the Employer Portal home page, which can be accessed by visiting **BlueKC.com**, and logging in as an Employer. For more information, contact your marketing representative.

As always, thank you for choosing Blue KC as your health insurance provider.

Sincerely,

A handwritten signature in black ink that reads "David Gentile". The signature is written in a cursive style with a large, looping initial "D".

David Gentile
President and Chief Executive Officer

Enclosure

Notice of Health Insurance Premium Rebate

{{DATE}}

{{GROUP NAME}}

{{ADDRESS 1}}

{{ADDRESS 2}}

{{CITY}}, {{STATE}} {{ZIP}}

Re: Health Insurance Premium Rebate for Year 2012; {{GROUP NUMBER}}

Dear {{GROUP NAME}},

This letter is to inform you that Blue Cross Blue Shield of Kansas City 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 Cross Blue Shield of Kansas City to rebate part of the premiums it received if it does not spend at least 80 percent of the premiums Blue Cross Blue Shield of Kansas City 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 Cross and Blue Shield of Kansas City did not meet the 80/20 standard. In 2012, Blue KC spent only 78.8% of a total of \$128,526,708 in premium dollars on healthcare and activities to improve health care quality. Since it missed the 80 percent target by 1.2 percent of premium it receives, Blue Cross and Blue Shield of Kansas City must rebate 1.2 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.

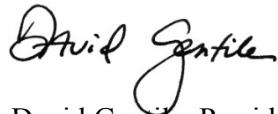
If your group health plan is not a governmental plan or a church plan, it likely is subject to the Federal Employee Retirement Income Security Act of 1974 (ERISA). Under ERISA, the employer or the administrator of the group health plan may have fiduciary responsibilities regarding use of the Medical 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 Cross and Blue Shield of Kansas City 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,

A handwritten signature in black ink that reads "David Gentile". The signature is written in a cursive style with a large, looped initial "D".

David Gentile, President and CEO
Blue Cross and Blue Shield of Kansas City