



Kansas City

An Independent Licensee of the Blue Cross and Blue Shield Association

Medical Loss Ratio (MLR)

Frequently Asked Questions for Employers

1. Are there rules on how small employers have to use any rebates?

Yes. Blue KC members who have coverage through a small group will not receive rebates directly from Blue KC. Any rebate due will be paid to the employer group, and the group administrator will decide how to refund the money to their employees using the U.S. Department of Health and Human Services (HHS) guidelines outlined below. We anticipate that employers may receive questions about how they plan to use any refunds they receive.

According to HHS, if the group health plan is a church or non-Federal governmental plan, the employer or group policyholder must distribute part of all of the refund in one of two ways:

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

If a 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 refunds. Some or all of the refund 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 refund will be used. For general information about your rights regarding the refund, 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 website at <http://www.dol.gov/ebsa/newsroom/tr11-04.html>.

2. Why didn't Blue KC lower premiums to avoid paying rebates?

Premium rates are based on many factors and are usually established up to 18 months in advance, making it difficult to predict the actual loss ratio.

Use of medical services is affected by many factors, most significantly the health of members. We're working hard to implement health and wellness programs that will improve the health of our members with the end result being lower medical costs for all.

Our number one commitment is ensuring our members receive the healthcare they deserve, when they need it, at a price they can afford. When individuals buy insurance, they are buying comfort and peace of mind that they will be able to pay for their healthcare needs – planned and especially unplanned.

3. Does this rule effectively keep premiums down?

No. This rule only establishes thresholds at which premiums cannot exceed the underlying costs of medical care. It does nothing to lower healthcare costs, which are driven by medical costs and utilization; and does not affect future premium levels, which are set based on historical trends and anticipated costs and utilization.

Blue KC has long been committed to ensuring everyone has high quality, affordable healthcare coverage. Our mission continues to be focused on using our role as the area's leading health insurer to provide affordable access to healthcare, and improve the health and wellness of our members.

To do so, we will continue to lead efforts within the communities we serve in partnership with doctors, nurses, hospitals, and others to rein in costs, improve quality and help people stay well; in addition to educating and guiding our members to the "right care at the right place at the right time."