Affordable Care Act Implementation Alert

The Affordable Care Act and your health plan

Independence Administrators

CONTENTS

> What is Medical Loss Ratio (MLR)?

> What is the definition of a small and large group?

> Are self-insured health plans subject to the MLR provision?

Medical Loss Ratio

WHAT IS MEDICAL LOSS RATIO (MLR)?

The Patient Protection and Affordable Care Act (PPACA) requires most health insurance companies that cover individuals and small businesses to spend at least 80% of their premium dollars on clinical services and quality improvements; in the large group market, the minimum is 85%. This is referred to as the Medical Loss Ratio (MLR) rule. If the threshold is not met, health insurance companies must send a rebate equal to the difference. The MLR provision went into effect in April 2011. Any rebates due must be paid each year by August 1, beginning August 1, 2012.

A health insurer's Medical Loss Ratio is determined separately for each State's individual, small group, and large group markets where the insurer offers health insurance. In some States, health insurers must meet a higher or lower Medical Loss Ratio.

WHAT IS THE DEFINITION OF A SMALL AND LARGE GROUP?

A group consisting of 50 or fewer eligible employees is considered a small group. A large group has 51 or more eligible employees. Employees include full-time, part-time, and seasonal employees regardless of their eligibility for health insurance coverage.

ARE SELF-INSURED HEALTH PLANS SUBJECT TO THE MLR PROVISION?

No. **Self-funded plans,** both grandfathered and non-grandfathered, **are not subject to** the MLR provision. All *fully-insured* individual, small group, and large group plans *are subject* to the MLR provision, whether they are grandfathered or non-grandfathered. Student and Medicare plans are exempt from the MLR provision until January 1, 2013, (student plans) and January 1, 2014, (Medicare plans).

For more information on Medical Loss Ratio, visit **www.HealthCare.gov**.

To learn more about how Independence Administrators can support you in complying with the requirements of PPACA, or if you have questions about your plan, **please contact your Independence Administrators Account Representative.**

Independence Administrators

www.ibxtpa.com

This communication is not intended to provide either legal or tax advice. Please consult with your legal counsel or professional advisors to determine the effects of the statutes and regulations regarding health care reform on you and your plan members.

Independence Administrators is an independent licensee of the Blue Cross and Blue Shield Association.

© Independence Administrators, August 2012