

## Notice of Health Insurance Premium Rebate

[September 30, 20XX 1]

[Subscriber or Policyholder Name 2a]  
 123 Main Street 2b  
 Anytown, USA 2c]

Re: Health Insurance Premium Rebate for Year [20XX 3]; [Policy #XXXXXX 4]

Dear [Subscriber or Policyholder Name 5]:

This letter is to inform you that [Health Insurer 6] 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 [Health Insurer 7] to rebate part of the premiums it received if [Health Insurer 8] does not spend at least [80/85 9] percent of premiums on health care services, such as doctors and hospital bills, and on activities to improve health care quality, such as efforts to improve patient safety. No more than [20/15 10] 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 85/15 11] rule. The [80/20 85/15 12] 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 85/15 13] rule at: <https://www.healthcare.gov/health-care-law-protections/rate-review/> and <https://www.cms.gov/CCIIO/Programs-and-Initiatives/Health-Insurance-Market-Reforms/Medical-Loss-Ratio>.

[The Affordable Care Act allows States to require health insurers to meet a higher ratio. [Your State 14] sets a higher Medical Loss Ratio standard, so [Health Insurer 15] must meet a [XX% 16] Medical Loss Ratio, meaning that [XX% 17] of premiums must be spent on medical services and activities to improve health care quality, and no more than [XX% 18] of premiums can be spent on administrative costs.]

### What the Medical Loss Ratio Rule Means to You

The Medical Loss Ratio is calculated based on total premiums and claims of all similar-sized groups insured by an insurer in a state, using a three-year average. It is not based only on your group’s premiums and claims. In [your State 19], from 20XX [20] to [20XX 21], [Health Insurer 22] spent on average only [XX% 23] of premium dollars on health care and activities to improve health care quality. Since it missed the [80 85 percent target / target in your State 24] by [X% 25], [Health Insurer 26] must rebate [X% 27] of a total of [\$YYY 28] of its after-tax premium revenue in your market segment. We are required to send your group’s portion of this rebate to your employer or group policyholder by September 30, [20XX 29], or apply it to your group’s health insurance premium that is due no later than October 30, [20XX 30]. Employers or group policyholders must follow certain rules to determine whether and how much of the rebate must be used for your benefit.

## Ways in Which an Employer Can Distribute the Rebate

If your group health plan is a non-Federal governmental plan (such as coverage sponsored by a state or local government for its employees), the employer or group policyholder must distribute the employees' portion of the rebate in one of two ways:

- Reduce premium for the upcoming year; or
- Provide a cash rebate to employees or subscribers.

If your group health plan is a church plan, the employer or group policyholder has agreed to distribute the employees' portion of the rebate in one of the two ways described above.

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 <https://www.dol.gov/agencies/ebsa/employers-and-advisers/guidance/technical-releases/11-04>.

### Need more information?

If you have any questions about the Medical Loss Ratio and your health insurance coverage, please contact [Health Insurer 31] toll-free at [1-XXX-XXX-XXX 32] or [website or email address 33].

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 <https://www.dol.gov/agencies/ebsa/employers-and-advisers/guidance/technical-releases/11-04>.

Sincerely,

[John Doe, Authorized Executive 34]  
[Health Insurer 35]