

August 2023

MPC\_062923-1J-3-ML

Re: Health insurance premium rebate for year 2022; Policy #:

Dear Business Partner,

This letter is to inform you that Blue Cross Blue Shield of Massachusetts 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 to rebate part of the premiums it received if Blue Cross does not spend at least 80 percent of the premiums Blue Cross 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 <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. Massachusetts sets a higher Medical Loss Ratio standard, so Blue Cross must meet a 88 percent Medical Loss Ratio, meaning that 88 percent of premiums must be spent on medical services and activities to improve health care quality, and no more than 12 percent of premiums can be spent on administrative costs.

## What the Medical Loss Ratio rule means to you

The Medical Loss Ratio rule is calculated based on total premiums and claims of all individuals insured by an insurer in a state, using a three-year average. It is not based only on your premiums and claims. In Massachusetts, from 2020 to 2022, Blue Cross spent on average only 86.4 percent of premium dollars on health care and activities to improve health care quality. Since it missed the 88 percent target, by 1.6 percent, Blue Cross must rebate 1.6 percent of a total of \$1,467,524,172 of its after-tax premium revenue in your market segment.

*continued*

We are required to send your group's portion of this rebate to your employer or group policyholder by September 30, 2023, or apply it to your group's health insurance premium that is due no later than October 30, 2023. 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 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 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 the 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 its website 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 Blue Cross Blue Shield toll-free at **1-888-512-0178**.

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

Sincerely,

Sarah Iselin  
President & CEO  
Blue Cross Blue Shield of Massachusetts

SAMPLE

Blue Cross Blue Shield of Massachusetts complies with applicable federal civil rights laws and does not discriminate on the basis of race, color, national origin, age, disability, sex, sexual orientation, or gender identity.

**ATTENTION:** If you don't speak English, language assistance services, free of charge, are available to you. Call Member Service at the number on your ID card (TTY: **711**).

**ATENCIÓN:** Si habla español, tiene a su disposición servicios gratuitos de asistencia con el idioma. Llame al número de Servicio al Cliente que figura en su tarjeta de identificación (TTY: **711**).

**ATENÇÃO:** Se fala português, são-lhe disponibilizados gratuitamente serviços de assistência de idiomas. Telefone para os Serviços aos Membros, através do número no seu cartão ID (TTY: **711**).