

**CENTERS FOR MEDICARE AND MEDICAID SERVICES**  
**SAMPLE INSTRUCTIONS**  
**SAMPLE NOTICE OF MEDICAL LOSS RATIO (MLR) INFORMATION**

NOTE: These instructions and the sample Notice of MLR Information are an example of a notice and instructions that might be required if CMS were to publish a final rule requiring the provision of notices with MLR information to subscribers and policyholders not receiving rebates at the same time that subscribers and policyholders receiving notices of rebates get theirs in 2012 and beyond.

**PRELIMINARY INSTRUCTIONS**

The Affordable Care Act requires health insurance issuers (issuers) to spend a set amount of premium dollars on health care services and activities to improve health care quality. This is known generally as the Medical Loss Ratio (MLR) standard or the 80/20 rule.

Each health insurance issuer must file an MLR report annually with the Secretary and must refund a portion of the health insurance premiums received if its MLR does not meet the MLR standard required by section 2718 of the Public Health Service Act. Each issuer who must provide a refund is also required to provide a notice containing information about its MLR and the refund to policyholders and subscribers who are receiving a refund, and also to subscribers whose policyholder is receiving a refund.

The MLR regulations may be found at:  
<http://cciio.cms.gov/resources/regulations/index.html#mlr>.

CMS is considering whether to publish a final rule regarding an issue on which it solicited comments in the Final Rule published on December 7, 2011 (76 FR 76574, CMS-9998-FC). This issue is whether to require the provision of notices with MLR information to subscribers and policyholders not receiving rebates at the same time that subscribers and policyholders receiving notices of rebates get theirs in 2012 and beyond. CMS has developed a form for this purpose that could be used if CMS were to publish a final rule requiring such notice of MLR information. These instructions and the sample Notice of MLR Information (Notice) are provided as a sample of the Notice that might be required if CMS were to publish a final rule requiring such notice of MLR information.

**WHO MUST BE PROVIDED NOTICE OF MLR INFORMATION**

Each issuer must provide Notice to the following policyholders and subscribers who are not entitled to an MLR rebate:

- All subscribers in the individual market;
- All group policyholders in the small group or large group market;
- All subscribers of group policyholders in the small group or large group market.

## **WHEN NOTICE OF MLR INFORMATION MUST BE PROVIDED**

Notice must be provided by August 1 of the year following the MLR reporting year. For example, Notice of MLR Information based on the 2011 MLR reporting year must be provided by August 1, 2012.

## **METHODS FOR PROVIDING THE NOTICE**

Notices must be mailed to subscribers and to group policyholders at the mailing address on file by United States first-class mail, postage prepaid. However, Notices may instead be provided electronically if the issuer regularly communicates electronically with its policyholders and/or subscribers. All reasonable efforts should be made to ensure that each subscriber in the individual market, each group policyholder, and each subscriber of group policyholders receiving Notice, receives the required Notice.

## **WHICH NOTICE TO USE**

There is one model notice. It is labeled with a number in the top right corner, for ease of reference.

Form #4 – *MLR Information*

Use Form #4 to send Notice to subscribers and policyholders in the individual market, small group market and large group market who are not receiving an MLR rebate.

## **INSTRUCTIONS FOR COMPLETING NOTICE**

On the attached model Notice, there are a number of fields that the issuer must fill in. For ease of reference, the attached model Notice labels each field with a number. Instructions for the fields in the Notice are provided below. These instructions describe the information to use in each numerical field.

Some of the fields that must be filled in require information from the issuer's MLR Annual Reporting Form (MLR Form). For such fields, reference is made to the Part and Line of the MLR Form in which the required information is reported, e.g., MLR Form, Part 1, Line 2.3.

Within the Notice, many of the labeled fields require the same information.

The information entered on the Notice should be for the relevant State and market (individual, small group, large group) for the policyholder or subscriber receiving the Notice.

**FORM #4 – MLR INFORMATION**

<b>Field(s)</b>	<b>Instruction</b>
1	Enter the date the Notice is sent, which must be on or before August 1 of the year subsequent to the MLR reporting year.
2	Enter the subscriber's/policyholder's name and mailing address. <ul style="list-style-type: none"><li>• 2a - enter the subscriber's/policyholder's first and last name;</li><li>• 2b - enter the subscriber's/policyholder's street address;</li><li>• 2c - enter the subscriber's/policyholder's city, state and zip code.</li></ul>
3, 7, 9, 12, 18, 22, 27, 29, 33, 35	Enter the name of the health issuer responsible for meeting the MLR.
4, 6, 17, 26, 28	Enter the year for which the MLR is being calculated.
5	Enter the subscriber's/policyholder's last name, preceded by the appropriate salutation, e.g., Mr., Ms. or Dr.
8, 13, 14, 15	Enter 80/20 if the Notice is going to policyholders or subscribers of policyholders in the small group market or to subscribers in the individual market.  Enter 85/15 if the Notice is going to policyholders or subscribers of policyholders in the large group market.
10	Enter 80 percent if the Notice is going to policyholders and subscribers of policyholders in the small group market or to subscribers in the individual market, and 85 percent if the Notice is going to policyholders and subscribers of policyholders in the large group market.
11	Enter 20 percent if the Notice is going to policyholders and subscribers of policyholders in the small group market or to subscribers in the individual market, and 15 percent if the Notice is going to policyholders and subscribers of policyholders in the large group market.
16-21	The entire paragraph which contains Fields 16-21 should only be used if the subscriber is in the individual market in a State which has been granted an adjustment by CMS to the MLR standard for the relevant MLR reporting year.
16	Enter the year in which the State requested the adjustment to the MLR standard for its individual market.

- 19, 20 Enter the MLR standard as adjusted by CMS for the individual market in the subscriber's State.
- 21 Enter the percentage difference between 100 percent and the MLR standard entered in Fields 19 and 20.
- 22-25 The entire paragraph that contains Fields 22-25 should only be used if the subscriber/policyholder resides in a State that requires a higher loss ratio than 80 percent in its individual market or small group market, or 85 percent in its large group market.
- 23, 24 Enter the MLR standard required by the policyholder's or subscriber's State for the relevant market.
- 25 Enter the percentage difference between 100 percent and the MLR standard entered in Fields 23 and 24.
- 30 Enter the issuer's actual MLR, as reported on the MLR Form, Part 5, Line 4.4.
- 31 Enter the total amount of premium dollars the issuer received, adjusted for taxes and regulatory fees, as reported on the MLR Form, Part 5, Line 2.3.
- 32 Calculate the amount to be entered in Field 32 as follows:  
(the amount entered in Field 31) x (the percentage by which the issuer's MLR exceeds the relevant MLR standard).
- Example: An issuer's reported premiums (Field 31) are \$20 million; the issuer is required to meet an 80 percent MLR and its MLR is 85 percent. The percentage by which the issuer's MLR exceeds the relevant MLR standard is 5 percent. The amount to enter in Field 32 is (\$20 million) x (5%), or \$1 million.
- 34 Enter the name of the President/CEO of the issuer and the name of the issuer. The Notice must be signed by the President/CEO. No exceptions are permitted.

*END OF INSTRUCTIONS*