

**CENTERS FOR MEDICARE AND MEDICAID SERVICES  
MEDICAL LOSS RATIO (MLR) REBATE NOTICE INSTRUCTIONS**

**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 (Notice).

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

Issuers must use the attached model Notices to provide the required Notice. These instructions provide directions as to who must be sent a Notice, the timing of the Notice, completing the attached model Notices, and methods for providing Notice. In these Instructions, the terms “refund” and “rebate” are used interchangeably.

There are three model Notices, each one designed for policyholders and subscribers in different situations.

**WHEN NOTICE OF REBATE MUST BE PROVIDED**

Notices must be provided by August 1 of the year following the MLR reporting year for which the refund is being issued. For example, Notices of refunds based on the 2011 MLR reporting year must be provided by August 1, 2012.

NOTE: The refund or rebate itself may either be included with the Notice, or may be sent separately. The refund or rebate must be provided by the same date as the Notice, i.e. by August 1 of the year following the MLR reporting year for which the refund is being issued.

**WHO MUST BE PROVIDED NOTICE OF REBATE**

Each issuer must provide Notice to the following:

- All subscribers in the individual market who receive a refund;
- All group policyholders who receive a refund;
- All subscribers of group policyholders who receive a refund;
- All subscribers in the small group or large group market who receive a refund directly from the issuer.

NOTE: Each issuer may run an eligibility report of subscribers based upon any date between April 1 and July 31 of the calendar year in which the refund is actually issued. The required Notice must be sent to all subscribers on that eligibility report.

## **METHODS FOR PROVIDING THE NOTICE**

Notices in the form and manner stated in these instructions must be provided in addition to the actual rebate check or premium credit. 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 assure that each subscriber and group policyholder receives the required Notice.

## **WHICH NOTICE TO USE**

There are three model notices. Each one is labeled with a number in the top right corner, for ease of reference.

### *Form #1 – Individual Market Subscribers*

Use Form #1 to send Notice to subscribers in the individual market who are receiving rebates. The individual market includes policies issued to an individual that covers the individual and may also cover his or her dependents in the individual market. This category also includes individual coverage issued to an association.

### *Form #2 – Group Policyholders and Subscribers When the Issuer Sends the Refund to the Group Policyholder*

Use Form #2 to send Notice to group policyholders to whom the issuer is sending the refund directly, and also to each subscriber of such group policyholders.

Form #2 is to be used for group health plans that are either (1) subject to the Employee Retirement Income Security Act of 1974 (ERISA); (2) a non-federal governmental plan; or (3) a church plan that has agreed to distribute the refund in the same manner as non-federal governmental plans are required to do.

### *Form #3 – Subscribers When the Issuer Sends the Refund Directly to Subscribers*

Use Form #3 to send Notice to each subscriber when the issuer is distributing the refund based on the total premium paid your group health plan directly to the employees or subscribers in the group health plan.

This includes (1) church plans that have not agreed to distribute the refund in the same manner as non-federal governmental plans are required to do, and (2) group health plans that have been terminated at the time the refund is issued and the issuer cannot, despite

reasonable efforts, locate the policyholder whose plan participants or employees were enrolled in the group health plan.

## **INSTRUCTIONS FOR COMPLETING EACH FORM NOTICE**

On each of the model Notices, there are a number of fields that the issuer must fill in. For ease of reference, the model Notices label each field with a number. Instructions for each 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 each Notice, many of the labeled fields require the same information.

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

### **FORM #1 - Individual Market Subscribers**

<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 that produced the rebate.
2	Enter the subscriber's name and mailing address. <ul style="list-style-type: none"><li>• 2a - enter the subscriber's first and last name;</li><li>• 2b - enter the subscriber's street address;</li><li>• 2c - enter the subscriber's city, state and zip code.</li></ul>
3, 9, 19	Enter the MLR reporting year for which the rebate is being calculated.
4	Enter the policy number of the subscriber's policy.
5	Enter the subscriber's last name, preceded by the appropriate salutation, e.g., Mr., Ms. or Dr.
6, 7, 10, 14, 18, 20, 25, 30, 33	Enter the name of the health issuer responsible for providing the refund.
8-13	The entire paragraph which contains Fields 8-13 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.
8	Enter the year in which the State requested the adjustment to the MLR standard for its individual market.

- 11, 12 Enter the MLR standard as adjusted by CMS for the individual market in the subscriber's State.
- 13 Enter the percentage difference between 100 percent and the MLR standard entered in Fields 11 and 12.
- 14 The entire paragraph that contains Fields 14-17 should only be used if the subscriber resides in a State that requires a higher loss ratio than 80 percent in its individual market.
- 15, 16 Enter the MLR standard required by the subscriber's State for the individual market.
- 17 Enter the percentage difference between 100 percent and the MLR standard entered in Fields 15 and 16.
- 21 Enter the issuer's actual MLR, as reported on the MLR Form, Part 5, Line 4.4.
- 22 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.
- 23 Enter "80 percent target" if issuers in the individual market in the subscriber's State must meet an 80 percent MLR.
- Enter the relevant percentage target if CMS has granted an adjustment to the MLR standard for the individual market in the subscriber's State.
- Enter the MLR standard required by the State if the subscriber's State requires an MLR standard that is higher than 80 percent.
- 24, 26 Enter the percentage difference between the MLR the health issuer is required to meet and its actual MLR. This is the amount reported on the MLR Form, Part 5, Line 5.1, minus the amount reported on the MLR Form, Part 5, Line 5.2.
- 27 Enter the year following the MLR reporting year that produced the rebate.
- 28 Select the wording in this bracket that represents the manner in which the rebate is being refunded.
- 29 **OPTIONAL FOR ISSUERS:**  
Issuers may, at their option, choose to insert the amount of the rebate being provided to each subscriber.

- 31 Enter the toll-free telephone number that subscribers may call if they have questions regarding MLR and their rebate.
- 32 Enter the name of the President/CEO of the health insurance issuer. The Notice must be signed by the President/CEO. No exceptions are permitted.

**FORM #2 – Group Market Policyholders and Subscribers When the Issuer Sends the Refund to the Group Policyholder**

<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 that produced the rebate.
2	Enter the policyholder's/subscriber's name and mailing address. <ul style="list-style-type: none"> <li>• 2a - enter the policyholder's/subscriber's first and last name;</li> <li>• 2b - enter the policyholder's/subscriber's street address;</li> <li>• 2c - enter the policyholder's/subscriber's city, state and zip code.</li> </ul>
3, 20	Enter the MLR reporting year for which the rebate is being calculated.
4	Enter the policy number of the policyholder's group number or subscriber's policy.
5	Enter the policyholder's/subscriber's last name, preceded by the appropriate salutation, e.g., Mr., Ms. or Dr.
6, 7, 9, 14, 18, 21, 26, 29, 32	Enter the name of the health issuer responsible for providing the refund.
8	Enter 80 percent if the Notice is going to policyholders and subscribers of policyholders in the small group market, and 85 percent if the Notice is going to policyholders and subscribers of policyholders in the large group market.
10	Enter 20 percent if the Notice is going to policyholders and subscribers of policyholders in the small group market, and 15 percent if the Notice is going to policyholders and subscribers of policyholders in the large group market.
11, 12, 13	Enter 80 percent if the Notice is going to policyholders and subscribers of policyholders in the small group market, and 85 percent if the Notice is going to policyholders and subscribers of policyholders in the large group market.
14-17	The entire paragraph that contains Fields 14-17 should only be used if the policyholder/subscriber resides in a State that requires a higher medical loss ratio than 80 percent in its small group market or 85 percent in its large group market.

- 15, 16 Enter the MLR standard required by the policyholder's/subscriber's State for the small or large group market, based on whether the policyholder or subscriber being sent the Notice is part of a small group or large group.
- 17 Enter the percentage difference between 100 percent and the MLR standard entered in Fields 15 and 16.
- 19 Enter 80/20 if the Notice is going to policyholders and subscribers of policyholders in the small group market.
- Enter 85/15 if the Notice is going to policyholders and subscribers of policyholders in the large group market.
- If a policyholder or subscriber is in a State that requires a higher MLR than 80 percent for the small group market or 85 percent for the large group market, enter the MLR standard required by the subscriber's State for the small or large group market, based on whether the policyholder or subscriber being sent the Notice is part of a small group or large group.
- 22 Enter the issuer's actual MLR, as reported on the MLR Form, Part 5, Line 4.4.
- 23 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.
- 24 Enter 80 if the Notice is going to policyholders and subscribers of policyholders in the small group market.
- Enter 85 if the Notice is going to policyholders and subscribers of policyholders in the large group market.
- If a policyholder or subscriber is in a State that requires a higher MLR than 80 percent for the small group market or 85 percent for the large group market, enter the MLR standard required by the subscriber's State for the small or large group market, based on whether the policyholder or subscriber being sent the Notice is part of a small group or large group.
- 25, 27 Enter the percentage difference between the MLR the health issuer is required to meet and its actual MLR. This is the amount reported on the MLR Form, Part 5, Line 5.1, minus the amount reported on the MLR Form, Part 5, Line 5.2.
- 28 Enter the year following the MLR reporting year that produced the rebate.
- 30 Enter the toll-free telephone number that policyholders/subscribers may call if they have questions regarding MLR and their rebate.

31 Enter the name of the President/CEO of the health insurance issuer. It must be signed by the President/CEO. No exceptions are permitted.

**FORM #3 – Group Market Subscribers When the Issuer Sends the Refund Directly to the Subscribers**

<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 that produced the rebate.
2	Enter the subscriber's name and mailing address. <ul style="list-style-type: none"><li>• 2a - enter the subscriber's first and last name;</li><li>• 2b - enter the subscriber's street address;</li><li>• 2c - enter the subscriber's city, state and zip code.</li></ul>
3, 19	Enter the MLR reporting year for which the rebate is being calculated.
4	Enter the policy number of the subscriber's policy.
5	Enter the subscriber's last name, preceded by the appropriate salutation, e.g., Mr., Ms. or Dr.
6, 8, 13, 17, 20, 25, 28, 30, 33	Enter the name of the health issuer responsible for providing the refund.
7	Enter 80 percent if the Notice is going to policyholders and subscribers of policyholders in the small group market, and 85 percent if the Notice is going to policyholders and subscribers of policyholders in the large group market.
9	Enter 20 if the Notice is going to subscribers of policyholders in the small group market and 15 if the Notice is going to subscribers of policyholders in the large group market.
10, 11, 12	Enter 80/20 if the Notice is going subscribers of policyholders in the small group market.  Enter 85/15 if the Notice is going to subscribers of policyholders in the large group market.
13-16	The entire paragraph that contains Fields 13-16 should only be used if the subscriber resides in a State that requires a higher medical loss ratio than 80 percent in its small group market or 85 percent in its large group market.

- 14, 15 Enter the MLR standard required by the policyholder's/subscriber's State for the small or large group market, based on whether the subscriber being sent the Notice is part of a small group or large group.
- 16 Enter the percentage difference between 100 percent and the MLR standard entered in Fields 14 and 15.
- 18 Enter 80/20 if the Notice is going to subscribers of policyholders in the small group market.
- Enter 85/15 if the Notice is going to subscribers of policyholders in the large group market.
- If the subscriber's policyholder is in a State that requires a higher MLR than 80 percent for the small group market or 85 percent for the large group market, enter the MLR standard required by the relevant State for the small or large group market, based on whether the subscriber being sent the Notice is part of a small group or large group.
- 21 Enter the issuer's actual MLR, as reported on the MLR Form, Part 5, Line 4.4.
- 22 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.
- 23 Enter 80 if the Notice is going to subscribers of policyholders in the small group market.
- Enter 85 if the Notice is going to subscribers of policyholders in the large group market.
- If a subscriber's policyholder is in a State that requires a higher MLR than 80 percent for the small group market or 85 percent for the large group market, enter the MLR standard required by the subscriber's State for the small or large group market, based on whether the subscriber being sent the Notice is part of a small group or large group.
- 24, 26 Enter the percentage difference between the MLR the health issuer is required to meet and its actual MLR. This is the amount reported on the MLR Form, Part 5, Line 5.1, minus the amount reported on the MLR Form, Part 5, Line 5.2.
- 27 Enter the year following the MLR reporting year that produced the rebate.
- 29 Select the wording in this bracket that represents the manner in which the rebate is being refunded.

31 Enter the toll-free telephone number that individual subscribers may call if they have questions regarding MLR and their rebate.

32 Enter the name of the President/CEO of the health insurance issuer. It must be signed by the President/CEO. No exceptions are permitted.

*END OF INSTRUCTIONS*