

Notice of Health Insurance Premium Refund

[August 1, 20XX 1]

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

Re: Health Insurance Premium Refund 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 refunding a portion of your health insurance premiums. This refund is required by the Affordable Care Act – the health reform law.

The Affordable Care Act requires [Health Insurer 7] to refund part of the premiums it received if it does not spend at least [80/85 8] percent of the premiums [Health Insurer 9] receives on health care services, such as doctors and hospital bills, and activities to improve health care quality, such as wellness programs. No more than [20/15 10] percent of premiums may be spent on administrative costs such as salaries 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 and other provisions of the health reform law at: <http://www.healthcare.gov/law/features/costs/value-for-premium/index.html>.

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

What the Medical Loss Ratio Rule Means to You

The Medical Loss Ratio rule is calculated on a State by State basis. In your State, [Health Insurer 18] did not meet the [80/20 85/15 /target in your state 19] standard. In [20XX 20], [Health Insurer 21] spent only [XX% 22] of a total of [\$YYY 23] in 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] of premium it receives, [Health Insurer 26] must refund [X% 27] of the total health insurance premiums paid by the employer and employees in your group health plan. We must send this refund to your employer by August 1, [20XX 28]. Employers or group policyholders must follow certain rules for distributing the refund to you.

Ways in Which an Employer Can Distribute the Refund

If your group health plan is a non-Federal governmental plan, the employer or group policyholder must distribute part of all of the refund in one of two ways:

- Reducing premium for the upcoming year; or
- Providing a cash refund to employees or subscribers that were covered by the health insurance on which the refund is based.

If your group health plan is a church plan, the employer or group policyholder has agreed to distribute the portion of the refund that is based on the total amount all of the employees contributed to the health insurance premium in one of the ways discussed in the preceding paragraph.

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 refunds. Some or all of the refund 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 refund will be used. For general information about your rights regarding the refund, 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 <http://www.dol.gov/ebsa/newsroom/tr11-04.html>.

Need more information?

If you have any questions about the Medical Loss Ratio and your health insurance coverage, please contact [Health Insurer 29] toll-free at [1-XXX-XXX-XXX 30].

Contact your employer or Administrator directly for information on how the refund will be distributed. For general information about your rights regarding the refund 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 <http://www.dol.gov/ebsa/newsroom/tr11-04.html>.

Sincerely,

[John Doe, President and CEO 31]
[Health Insurer 32]