

Medical Loss Ratio Rebates FAQs

Answers to the most common questions around Medical Loss Ratio (MLR) rebates.

What is Medical Loss Ratio?

Medical Loss Ratio (MLR) is the percent of premiums an insurance company spends on claims and expenses that improve health care quality. The health care reform law requires insurance companies to pay annual rebates if the MLR for health insurance policies issued in a state is less than 85 percent for large employer group policies and 80 percent for most small employer group policies and individual policies.

What is the purpose of the minimum MLR provision?

The MLR provision is intended to ensure that a minimum percent of health insurance premiums are used to pay claims. This limits the amount health insurance companies can spend on administrative expenses and profits.

How are rebates determined?

Rebates are determined on a state-by-state basis. Rebates are based on all the premiums and claims for a group of policies issued by an insurance company in a state during the previous calendar year. Rebates are not based only on the claims for your own policy.

- If claims for all policies similar to your size in your state for the previous calendar year were lower than the required MLR percent, you will receive a rebate.
- If claims for all policies similar to your size in your state for the previous calendar year were higher than the required MLR percent, you will not receive a rebate.

Why will some people get rebates while others will not?

DAKOTACARE sets health insurance premiums each year based on the amount of claims we expect to pay. Variations in the actual claims may result in some groups of policies not meeting the MLR requirement and receiving rebates. If you are not receiving a rebate, it means a high percentage of the premiums for policies in your group were spent on health care, so no rebate is due.

How was the amount of my rebate determined?

If DAKOTACARE pays a rebate for the group of policies in your state that includes your policy, the rebate percent for your group was multiplied by the amount of premium paid by each policyholder to determine each policyholder's rebate.

Who will receive rebate checks?

If you are eligible for a rebate and have an individual policy, the rebate will be sent to you. If you have medical coverage through your employer, any rebate due will be sent to your employer in most cases.

How will I get my rebate?

DAKOTACARE will mail notices of rebates to individual subscribers. You will receive a premium credit back to the bank in which the premium was drawn in October of 2020.

If my rebate is paid to my employer, how will that benefit me?

In general, employers can use rebates to reduce future health insurance premiums, enhance benefits or issue rebate checks to health plan participants. Contact your employer if you have questions about how your rebate will be used.

As an Employer, where can I find guidance to help with and learn more about MLR rebates I received? The Department of Labor has Guidance on Rebates for Group Health Plans located at <https://www.dol.gov/agencies/ebsa/employers-and-advisers/guidance/technical-releases/11-04>

How can I get more information about a rebate paid to my employer?

If you have questions about a rebate paid to your employer, contact the person at your company who typically answers health insurance benefit questions for more information.

Are rebates taxable?

In general, rebates are taxable if you pay health insurance premiums with pre-tax dollars or you received tax benefits by deducting premiums you paid on your tax return. Talk with your tax preparer to determine if you need to report your rebate as income when you file your next tax return.

How is MLR calculated?

In general terms, the formula for calculating MLR for a group of policies in a state is:

$(\text{Claims} + \text{Expenses that Improve Health Care Quality}) / \text{Premium} = \text{MLR}$

What counts as expenses that improve health care quality?

Common types of expenses that count as expenses that improve health care quality include amounts DAKOTACARE spends on:

- Programs to help individuals manage serious conditions such as cancer or heart disease
- Hospital discharge planning designed to reduce hospital readmissions
- Activities to improve patient safety and reduce medical errors

- Health assessments and wellness coaching designed to manage a health condition or achieve measurable health improvements

Why am I getting a rebate but my neighbor/friend/co-worker is not?

Rebates are determined by three factors:

- The insurance company that issued the health insurance coverage
- The state in which the policy was issued
- The number of people covered – large group, small group or individual coverage

There are several reasons why you and your neighbor could have different rebate experiences.

- You and your neighbor could have medical coverage through different health insurance companies (e.g., DAKOTACARE, Avera Health Plans, etc.).
- If you both have DAKOTACARE coverage, one of you may have employer group coverage while the other has an individual policy, and different MLR requirements apply.
- If you have coverage through your employer, the policy may have been issued in a state other than the state where you live. For example, your employer's policy could have been issued in a state where DAKOTACARE paid rebates while your neighbor's employer could have purchased its policy in a state where DAKOTACARE did not pay rebates.

If you have any questions about the Medical Loss Ratio and your health insurance coverage, please contact DAKOTACARE toll-free at 1-800-325-5598, visit our website DAKOTACARE.com or email customer-service@dakotacare.com.