

# Medical Loss Ratio Frequently Asked Questions for Employer Groups and Subscribers

**For additional information or questions regarding the attached letter, please contact Customer Service at 877-835-6083 Monday through Friday, 8 a.m. to 8 p.m. EST and Saturday 9 a.m. to 4 p.m. EST.**

On March 23, 2010, the Affordable Care Act (ACA) was signed into law. The law, which is commonly referred to as health care reform (HCR), contains mandates that must be implemented at specific times.

One requirement of the law relates to provisions regarding potential rebates from insurers and health maintenance organizations (HMOs) to employers and individuals if certain minimum standards regarding medical claims payment, also known as Medical Loss Ratio (MLR), are not met.

MLR is calculated by insurers and HMOs, such as various subsidiaries of Coventry Health Care, Inc. (collectively "Coventry Health Care"). The MLR is defined as the percentage of premiums insurers/HMOs spend on medical care, less federal and state taxes and licensing and regulatory fees. The MLR is used to determine if a refund is due in any of the market segments in which Coventry Health Care operates. Individual, small-group and large-group health plans are examples of market segments. Rebates are calculated by legal entity, by state and then at the market segment level. It is a complex calculation. For instance, an insurer/HMO may owe rebates for one market segment but not for others, even within the same state.

At Coventry Health Care, our goal is to provide the most competitive pricing possible. In 2011 Coventry Health Care met or exceeded the MLR threshold for the segment in which your individual or group policy belongs. Therefore, no rebate is due.

Question	Answers
What is a Medical Loss Ratio (MLR)?	The MLR is the percentage of premiums, less federal and state taxes and licensing fees, that insurers/HMOs spend on medical care. Inpatient hospitalizations, doctor visits, preventive care and prescription drugs are examples of just some of the medical services that are considered in the calculation.
What are the minimum MLR thresholds that insurers must meet regarding premium rebates?	<p>The minimum threshold varies based on group size. The ACA defines a small group as having one to 100 subscribers. Some states, however, can currently define a small group as having one to 50 subscribers. Groups that are not defined as small are considered large groups.</p> <p>The minimum MLR thresholds for large and small groups and for individual policies are listed below:</p> <ul style="list-style-type: none"> <li>Large group – 85%</li> <li>Small group – 80%</li> <li>Individual – 80%</li> </ul> <p>If an MLR is below the percentages shown above, the insurer/HMO owes a rebate payment to policyholders in that market segment (i.e., small group) in that state.</p> <p><b>Note:</b> Minimum MLR thresholds may vary in some states. Any state-specific variations would be noted in the enclosed letter.</p>
When did Coventry Health Care need to report its MLR to the government?	Insurers/HMOs were required to provide MLR data to the federal government by June 1.
Are there scenarios where Coventry Health Care is not required to issue a rebate?	Yes. If the insurer/HMO goes over the applicable MLR threshold and the rebate due is less than \$5 for an individual policyholder or less than \$20 for a group policyholder, those rebates are distributed evenly among the policyholders that exceeded the \$5/\$20 amount.

