



Medical loss ratio employer survey

Why we're sending a survey to fully insured customers

To comply with part of the Affordable Care Act (ACA or health care reform law), we need to know how to categorize our customers based on the number of **employees** they had, on average, for the prior year. Here's why:

Issuers of **fully insured** health plans need to meet medical loss ratio (MLR) minimums, and if they don't a rebate must be issued. The minimums are different for large group and small group markets.

In the MLR regulations, small group and large group are defined based on the **average number of employees** – not the number of people enrolled in or eligible for the health plan. This includes full-time, part-time and seasonal employees. We do not know how many employees a group has. Therefore, we need to survey all of our fully insured customers.

IMPORTANT NOTE: This survey does not impact whether a group is considered small or large for our business. For example, if we have 40 people enrolled within a plan that group would be considered small. However, based on the survey response this same group actually reported having 300 employees, so they would be considered large group for MLR purposes only.

HOW IT WORKS*: For example, if the current year is 2015, we need to know the number of employees groups had on average for the previous year (i.e. 2014) to figure out if they are a small or large group based on MLR standards. That is why we send the survey. This information could impact how much of a rebate they **may** receive depending on if we do or do not meet the MLR minimum for the prior year. This same process applies for all future years as well.

Employer Survey Sent for Current Year	Survey Collects Total <u>Employee</u> Count for Prior Year	Total Employee Count Used for Next Year's MLR Calculation
2015	2014	2016 (for 2015 rebates)

*For illustration only.

When and how we'll conduct the survey

Sometime during the month of May, we'll send a letter with the survey to fully insured customers through a direct mail campaign. Small groups will get a tear-off survey, but also have the option to fill out the survey online. Large groups can only fill out the survey online. No tear-off survey will be sent to them.

Questions and answers

Q. How do the MLR regulations define small group and large group?

A. The MLR regulations set the cut-off between small group and large group at 100 employees. However, the rules also allowed states to set the cut-off at 50 employees until 2016. At this time, most of the states in which we have plans are using the 50-employee cut-off. However, Indiana, Ohio, Georgia and Wisconsin are using the 100-employee cut-off. Therefore, the following definitions will apply for our MLR Reporting in states other than Indiana, Ohio, Georgia and Wisconsin:

- Large group market is 51+ employees
- Small group market is up to 50 employees



Q. What does the survey ask for?

- A. Employers will be asked how they should be categorized based on the number of employees they had, on average, for the prior year:
- 1 employee
 - 2 employees
 - Between 3 and 50 employees
 - Between 51 and 100 employees
 - 101 or more employees

Q. How will customers determine who should be counted and how?

- A. Customers should take the average of the total number of all employees employed on business days during the preceding calendar year. Total employees include full-time, part-time and seasonal employees.

Q. What will you do if a group doesn't reply to the survey?

- A. If a group doesn't reply to the survey, we will categorize the group as small or large for MLR reporting based on the number of enrollees in our health plan and applicable state-specific laws and regulations.

Q. How will you calculate MLR? How will you issue rebates if any are required?

- A. For more details about MLR calculations and rebate procedures visit www.makinghealthcarereformwork.com.

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