

Consumers Get Rebates, More Premium Value and Stability Protection in 2014

The Medical Loss Ratio (MLR) Provision, or 80/20 Rule

The Medical Loss Ratio provision, or 80/20 Rule, of the Affordable Care Act offers important and effective consumer protections to millions of Americans who either have health insurance coverage through their employer (known as the group market) or who purchased their own health insurance in the individual market. The rule requires health insurance companies to report their financial information and disclose how much they spend on health care. The rule also requires health insurance companies in the individual and small group markets to spend at least 80 percent of the premium they collect from consumers (after certain taxes) on actual health care or on activities that improve health care, and in the large group market to spend at least 85 percent of premium in this manner. These percentages are known as MLR standards.

Consumer Benefits of the 80/20 Rule

If health insurance companies do not meet or exceed the 80 or 85 percent MLR standard, they must pay refunds, or rebates, to the enrollees. The refunds are paid directly to consumers who purchase their own insurance in one of the following ways: as a check in the mail; a reimbursement to the account that was used to pay the premium; or a direct reduction in their future premiums. For consumers who bought insurance through their employer, the refund is usually paid to the employer, who in turn must provide the employees' share in one of the three ways above, or apply it in a manner that benefits employees. The determination whether an insurance company owes refunds is based on how the insurance company spent the total premiums of all of its enrollees in a state, rather than on the claims and premiums of any one enrollee. As shown in **Figure 1**, the percent of consumers insured by companies that met or exceeded the MLR standards continues to rise each year.

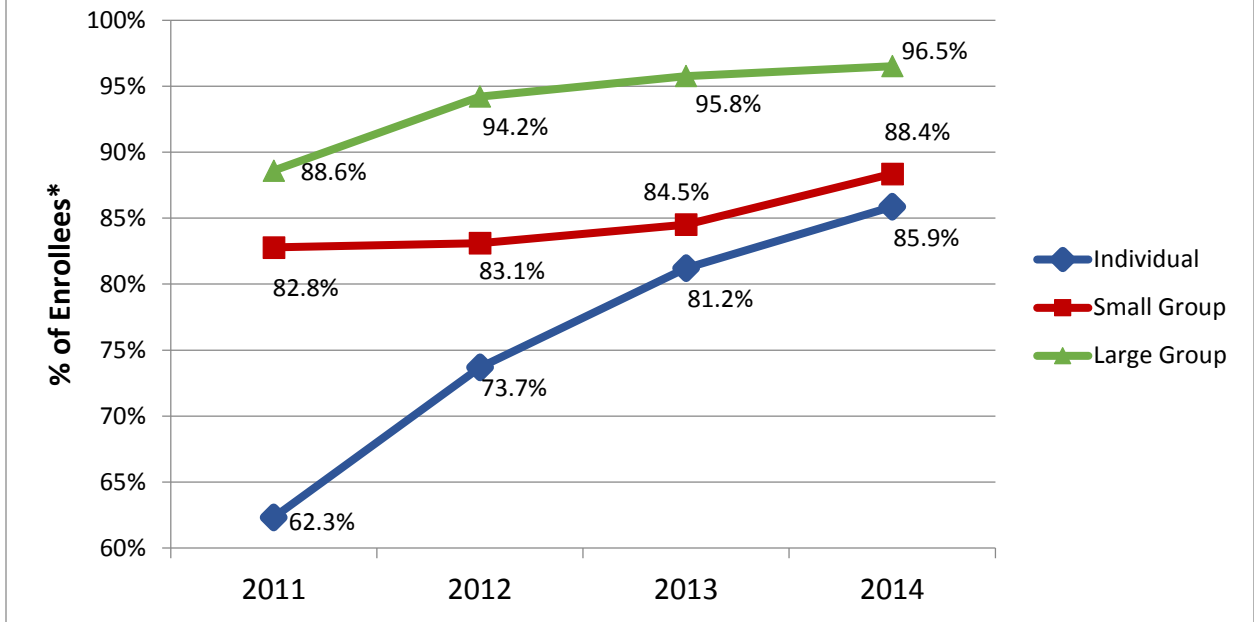
Since the rule was enacted in 2011, more than \$2.4 billion in total refunds will have been paid to consumers, including refunds for 2014. (See **Figure 2** for refunds by year.) For 2014, 3.7 million families representing a total of over 5.5 million consumers, are receiving approximately \$470 million in refunds this year. The average refund per family is \$139 in the individual market, \$134 in the small group market, and \$102 in the large group market. (See **Figures 3, 4, and 5**, which show how average refunds per family vary by state.)

In 2014, the 80/20 Rule benefitted consumers by helping to ensure that consumers received value for their premium dollars even in the first year of Marketplace enrollment. Thanks to the 80/20 Rule, enrollees will receive refunds if they are charged excess premium while health insurance companies gain experience setting competitive premiums in the Marketplace. In this way, the 80/20 Rule, together with premium stabilization programs, ensures that consumers' premiums remain stable and proportionate to their medical costs.

For more information on 2014 MLRs and refunds by state and market, visit:

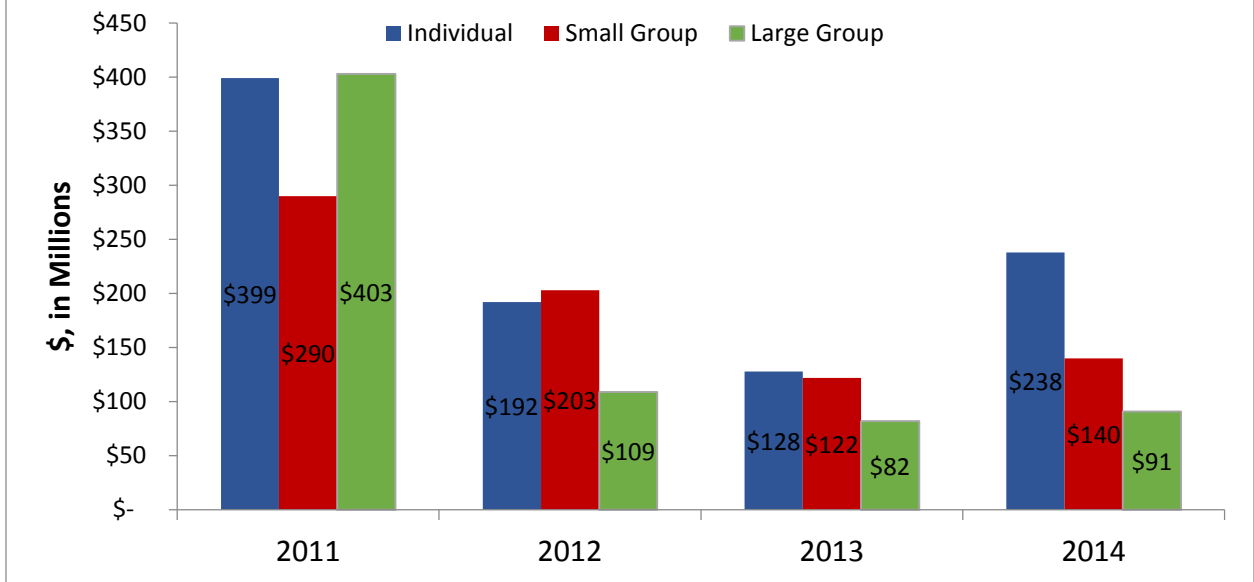
<https://www.cms.gov/CCIIO/Resources/Data-Resources/mlr.html>

Figure 1: More Enrollees Receive Value Up Front

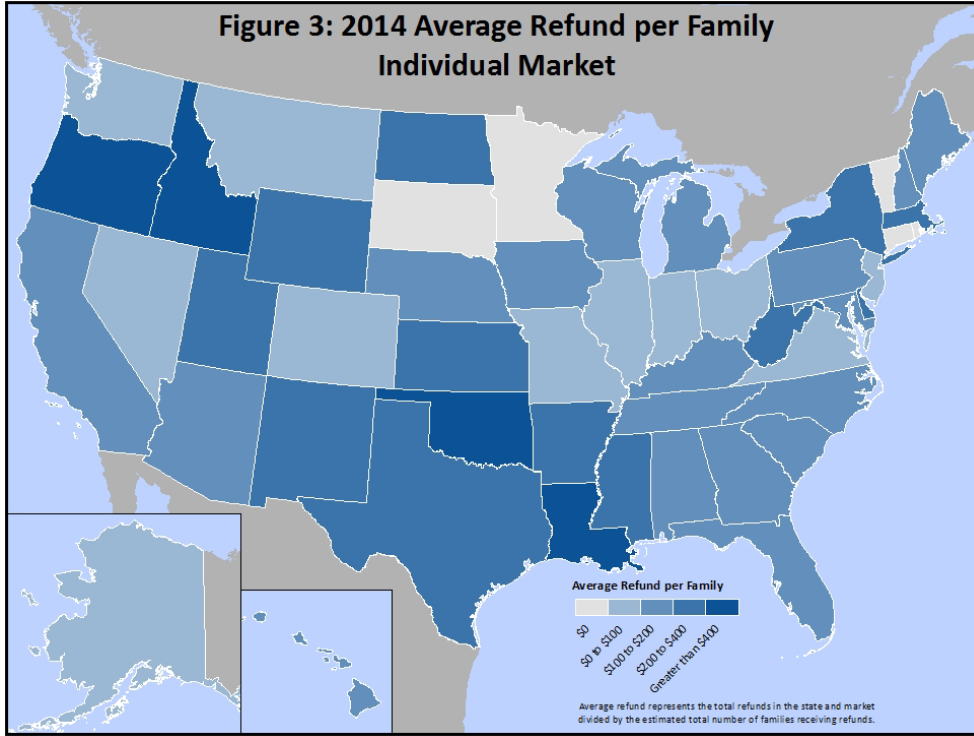


*Enrollees covered by insurance companies that met or exceeded the MLR standard in the respective state and market.

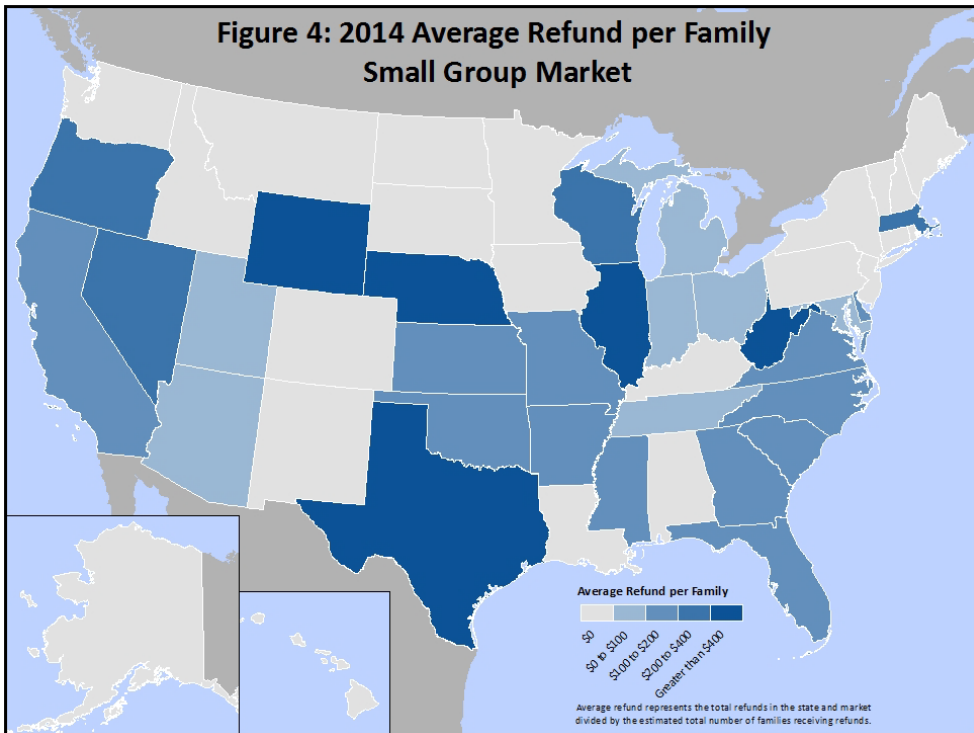
Figure 2: Refunds by Market (in Millions)



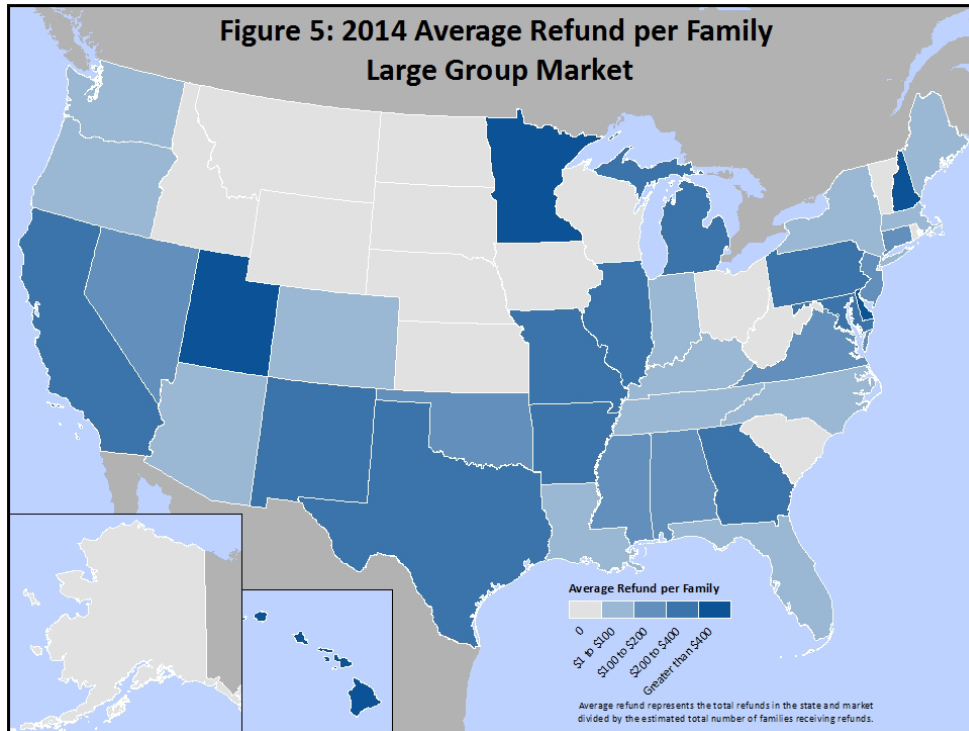
*Does not reflect refunds for Mini-Med and Student Health Plans.



**For families receiving refunds in the respective state and market.*



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