



August 2022

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Account # «member\_code»

## Medical Loss Ratio Rebate Notification

Federal health care reform and Massachusetts state law require health plans to spend a set percentage of premium dollars on medical care and health care quality improvements. This percentage is called the Medical Loss Ratio (MLR). When health plans do not meet the established threshold, an annual rebate must be issued to impacted policyholders.

### Fallon Health's 2021 Medical Loss Ratio

For 2021, Fallon Health met the federal MLR established for all market sizes, but did not meet Massachusetts' 88% threshold in the individual and small group merged market (individual subscribers and groups with 1 to 50 full time employees (FTEs).

For 2021, Fallon's MLR for the merged market was 87.2%. This means we spent 87.2% of the total premium of \$92,175,376 for the merged market on medical care and activities to improve health care quality, which is 0.8% below the 88% state threshold.

The rebate will be issued in the form of a refund check issued by HSA Insurance which is enclosed with this letter.

We continue to work together with our provider partners to make sure members receive the most effective, efficient, and high-quality care and services. We also continue to invest in quality-improving initiatives and technology advancements to ensure our members are getting the best value for their health care dollars. Rebate amounts are based on the total amount of premium received for Fallon's merged market business and divided among all merged market customers according to the amount of premium billed for each particular group in 2021.

### What to do with your rebate

If your group health plan is not a governmental or church plan, it's likely subject to the Federal Employee Retirement Income Security Act of 1974 (ERISA). Under ERISA, you may have fiduciary responsibilities regarding use of the MLR rebates. Some or all of the rebate may be an asset of the plan, which must be used for the benefit of the employees covered by the policy. For general information about your rights regarding the rebate, 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 website, <https://www.dol.gov/agencies/ebsa/employers-and-advisers/guidance/technical-releases/11-04>.

If your group health plan is a **non-Federal governmental plan**, you must distribute the rebate either by:

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

If your group health plan is a **church plan**, you must distribute the portion of the rebate that is based on the total amount all of the employees contributed to the health insurance premium in one of the ways discussed above.

**To comply with the regulations, Fallon will also notify subscribers on your current group plan with the enclosed notice by the end of August. You may receive questions from your employees about this rebate and its use.** To help, frequently asked questions are provided with this letter and with the subscriber notice. Information is also on our website at [fallonhealth.org/mlr](http://fallonhealth.org/mlr).

## Frequently asked questions

### **How is Fallon's MLR calculated?**

The calculation is based on the incurred claims in 2021 and the expenses for activities that improve health care quality. That amount is divided by the premium billed for 2021 coverage, less federal and state taxes, licensing and regulatory fees, and adjusted for certain factors as defined in federal and state laws.

### **How are the rebates calculated?**

Rebate amounts are based on the total amount of premium received for Fallon's individual and small group merged market business (individual subscribers and groups with 1 to 50 full time employees) and divided among all merged market customers according to the amount of premium billed for each particular individual or small group in 2021.

### **Why didn't you meet the threshold?**

In 2021, the amount we paid to providers, such as doctors and hospitals, for medical services was less than anticipated and below the Commonwealth of Massachusetts' minimum regulatory standards. We continue to work together with our provider partners to make sure members receive the most effective, efficient, and high-quality care and services. We also continue to invest in quality-improving initiatives and technology advancements to ensure our members are getting the best value for their health care dollars. However, given the unpredictable nature of health care costs and utilization, it is not surprising that some consumers in certain markets will receive rebates.

### **Do I need to report this on my tax filing?**

Tax information is available at <https://www.irs.gov/newsroom/medical-loss-ratio-mlr-faqs>. Each employer group has a different tax situation and you should consult your tax advisor regarding any tax implications of this rebate.

### **Will I get a check every year?**

The rebate calculation is done on an annual basis and is dependent on claims incurred, so results will vary by year. There is no guarantee of future rebates.

### **Are all merged market customers getting a check?**

Yes, all merged market customers in good standing with Fallon are receiving rebate checks.

### **Where can I get more information?**

You can learn more about the MLR rule and other provisions of the health care reform law at: <https://www.healthcare.gov/health-care-law-protections/rate-review/>.

Information about Fallon's Medical Loss Ratio is available at [fallonhealth.org/mlr](http://fallonhealth.org/mlr).

Enclosure: MLR subscriber notice

***This is a copy of the notice that is being sent to your subscribers.***

## **Notice of Health Insurance Premium Rebate**

Re: Health Insurance Premium Rebate for Year 2021; [SUBSCRIBER NUMBER]

Dear [SUBSCRIBER NAME]:

This letter is to inform you that Fallon Health will be rebating a portion of your health insurance premiums through your employer or group policy holder. This rebate is required by the Affordable Care Act – the health reform law.

The Affordable Care Act requires Fallon to rebate part of the premiums it received if it does not spend at least 80 percent of the premiums Fallon receives on health care services, such as doctors and hospital bills, and activities to improve health care quality, such as efforts to improve patient safety. No more than 20 percent of premiums may be spent on administrative costs such as salaries, sales, and advertising. This is referred to as the “Medical Loss Ratio” standard or the 80/20 rule. The 80/20 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 rule and other provisions of the health reform law at: <https://www.healthcare.gov/health-care-law-protections/rate-review/>.

The Affordable Care Act allows States to require health insurers to meet a higher ratio. Massachusetts sets a higher Medical Loss Ratio standard, so Fallon must meet a 88% Medical Loss Ratio, meaning that 88% of premiums must be spent on medical services and activities to improve health care quality, and no more than 12% 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 Massachusetts, Fallon did not meet the 88% standard. In 2021, Fallon spent only 87.2% of a total of \$92,175,376 in premium dollars on health care and activities to improve health care quality. Since it missed the 88% target by 0.8% of premium it receives, Fallon must rebate 0.8% of the total health insurance premiums paid by the employer and employees in your group health plan. We are required to send this rebate to your employer or group policyholder by August 31, 2021, or apply this rebate to the health insurance premium that is due on or after August 31, 2021. Employers or group policyholders must follow certain rules for distributing the rebate to you.

### **Ways in Which an Employer Can Distribute the Rebate**

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

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

If your group health plan is a church plan, the employer or group policyholder has agreed to distribute the portion of the rebate 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 prior 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 rebates. Some or all of the rebate 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 rebate will be used. For general information about your rights regarding the rebate, 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 <https://www.dol.gov/agencies/ebsa/employers-and-advisers/guidance/technical-releases/11-04>.

**Need more information?**

If you have any questions about the Medical Loss Ratio and your health insurance coverage, please contact Fallon toll-free at 1-800-868-5200 (TRS 711) or visit our website at [fallonhealth.org/mlr](http://fallonhealth.org/mlr).

Contact your employer or Administrator directly for information on how the rebate will be distributed. For general information about your rights regarding the rebate 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 <https://www.dol.gov/agencies/ebsa/employers-and-advisers/guidance/technical-releases/11-04>.

Sincerely,

Todd Bailey  
Senior Vice President and Chief Financial Officer  
Fallon Health