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Insurer Rebates under the Medical Loss Ratio: 2012 Estimates

By August of this year, insurance companies will be required to issue consumer rebates if they were not in compliance with the Medical Loss Ratio (MLR) provision of the Affordable Care Act (ACA) for 2011. Under the MLR rule, insurers offering health coverage to individuals and small businesses must spend at least 80 percent of their premium income on health care claims and quality improvement activities, reserving 20 percent or less for administrative expenses such as administering coverage, marketing products and earning profits for investors.[1] The MLR threshold is higher for large group plans, which must spend at least 85 percent of premium income on claims and quality improvement, leaving 15 percent or less for administrative expenses. If insurers fail to meet these requirements, they must pay rebates to consumers. The amount of the rebate will depend on the extent to which the insurer fell below the threshold.

The Medical Loss Ratio is calculated by dividing health care claims and quality improvement expenses by the insurers' premium income minus taxes and regulatory fees. Adjustments are made for certain plans (such as those with lower enrollment and high deductibles). States may request downward adjustments to their individual market MLR requirements and seven states have received permission from the federal government to do so.[2] Other states have set their MLR standards even higher than the federal floor.[3]

As the MLR rule went into effect on January 1, 2011, the first insurer rebates will be issued this year. Insurers reported their estimated 2012 rebates (which are based on 2011 MLR estimates) in the 2011 Supplemental Health Care Exhibit recently submitted to state insurance departments. We analyzed these filings, compiled by Mark Farrah Associates ™, to estimate the amount in rebates consumers and employers can expect to receive this year by state and market segment. Note that all figures exclude California, where many plans are regulated by the state Department of Managed Health Care, with data not yet available.

These data are based on preliminary estimates from insurers as reported to state insurance departments. Actual rebate amounts – which will be based on information to be submitted by insurers to the federal government – will likely vary. In some cases, consumers or employers may receive their rebates in the form of a discount on future premiums, rather than a check.[4] Rebates in the group market

[1] For background on the MLR rule, see this fact sheet: http://www.kff.org/healthreform/upload/8282.pdf

[2] Georgia, Iowa, Kentucky, Maine, Nevada, New Hampshire, and North Carolina have received permission from Health and Human Services to adjust their minimum MLR standards downward until 2014. For details on state adjustments to MLR requirements, see: http://statehealthfacts.org/comparetable.jsp?ind=940&cat=17

[3] For more detail, see: http://www.naic.org/documents/committees_e_hrsi_comdoc_ahip_chart_mlr.pdf

[4] If an individual market plan's rebate falls below 5 dollars per member or a group plans' rebate falls below 20 dollars per group, the insurer is not required to issue the rebate.

will generally be provided to employers, and in some cases be passed on to employees as well.[5] For people who were only enrolled during part of the year, rebates will be prorated accordingly. Insurers issuing rebates will be required to send notices to consumers alerting them of the amount of the rebate and the manner in which it will be administered.

Based on the preliminary estimates from insurers, rebates would total $1.3 billion this year, including $426 million in the individual market, $377 million in the small group market, and $541 million in the large group market. While total rebates are highest for large employers and their workers, many more people are also covered in that market segment.

The following sections detail insurers' estimated rebates by state and market segment.

Rebates in the Individual Market

Individual market insurers expect to issue $426 million in consumer rebates this year (Table 1). Nationwide, 215 insurance plans covering approximately 3.4 million people report that they expect to issue a rebate to individual market consumers.

For those enrollees receiving rebates in the individual market, the average amount is estimated at $127 per person on an annualized basis (with rebates prorated for those insured for less than a full year). The average rebate among those receiving them is expected to vary substantially by state and, within states, by insurer. When rebates are averaged by state, the largest per-person rebates would be paid to enrollees in Alaska ($305), Maryland ($294), Pennsylvania ($243), Idaho ($241), and Mississippi ($236). By contrast, no individual market insurers in Hawaii, Maine, and the District of Columbia expect to issue rebates, and average rebate amounts in New Mexico ($1) and Vermont ($1) are expected to be so low that insurers will likely not have to issue them.

Overall, 31% of individual market enrollees are expected to receive rebates, with consumers in Texas (92%), Oklahoma (86%), South Carolina (84%), and Arizona (83%) most likely to be eligible based on insurer estimates. In all seven states that have received federal waivers to establish lower MLR thresholds, the share of enrollees projected to receive rebates and the average rebate amount are below the nationwide average.

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[5] Insurers generally will provide rebate amounts to the group policyholder, which often will be an employer or plan established by an employer. The employer may be obligated to use some or all of the rebate for the benefit of enrollees. Requirements vary by the type of plan sponsor (i.e. private employers, state and local government plans or church plans). For more details, see: Medical Loss Ratio Requirements Under the Patient Protection and Affordable Care Act, available at http://www.gpo.gov/fdsys/pkg/FR-2011-12-07/pdf/2011-31289.pdf#page=20; Guidance on Rebates for Group Health Plans Paid Pursuant to the Medical Loss Ratio Requirements of the Public Health Service Act, available at http://www.dol.gov/ebsa/newsroom/tr11-04.html; and Medical Loss Ratio Rebate Requirements for Non-Federal Governmental Plans, available at http://www.gpo.gov/fdsys/pkg/FR-2011-12-07/pdf/2011-31291.pdf.

When averaged over all enrollees in the individual market (including those enrolled in plans not issuing rebates), the average rebate amount is expected to be $39 per individual market enrollee on an annualized basis.

Rebates in the Small Group Market

Small group plans covering approximately 4.9 million enrollees expect to issue rebates this year, in an amount estimated to total $377 million (Table 2). Nationwide, 146 insurance plans report that they expect to pay a rebate to small groups. Among those employer groups receiving rebates in the small group market, the average amount is projected to be $76 per enrollee on an annualized basis. Alaska ($517), Alabama ($203), Oregon ($172), Louisiana ($170), and Massachusetts ($167) are estimated to have the highest average rebates per enrollee. Insurers offering coverage to small businesses in eight states (Hawaii, Minnesota, North Dakota, New Hampshire, New Mexico, Rhode Island, South Dakota, and Vermont) are not expecting to issue rebates.

Overall, insurers expect to issue rebates on behalf of about 28% of their small group enrollees. Small businesses and their employees in the District of Columbia (92%), South Carolina (85%), New Jersey (79%), Florida (73%), and Missouri (72%) are the most likely to receive rebates. One insurer in New Jersey reports that it already issued nearly $19 million in rebates to small group enrollees.

When averaged over all enrollees in the small group market, rebates paid to employers and workers are expected to be $21 per enrollee on an annualized basis.

Rebates in the Large Group Market

More insurers in the large group market are expecting to be in compliance with the MLR rule. Insurers offering coverage to large businesses in 14 states report that they do not expect to issue rebates this year (Table 3). At the same time, with the vast majority of people with private insurance covered through a large employer, total rebates are expected to be higher in the large group market than in the other segments. Total reported rebates in the large group market are $541 million nationwide. Overall, 125 insurers reported that they expect to issue rebates to large groups covering 7.5 million enrollees. Nearly a quarter of projected large group rebates are from insurers in New York, with $127 million in expected refunds. Of those large businesses and their employees receiving rebates, the largest average per-enrollee rebates will are in Vermont ($386), Nebraska ($248), Minnesota ($146), New York ($142), and North Carolina ($121).

Overall, large group insurers are expecting to issue rebates on behalf of 19% of large group enrollees. Large businesses and their employees in the District of Columbia (78%), New Jersey (67%), Colorado (62%) and Kentucky (57%) are most likely to receive rebates this year.

When averaged over all enrollees in the large group market, rebates paid to employers and workers are expected to be $14 per enrollee on an annualized basis.

Discussion

The rebates provided under the Medical Loss Ratio provision, while not particularly large in many instances, are among the more tangible effects of the ACA felt by consumers until the major provisions of the health reform law go into effect in 2014. They do not, however, show the full impact of the higher MLR thresholds. The presence of these thresholds and the corresponding rebate requirement have provided an incentive for insurers to seek lower premium increases than they would have otherwise, and in some cases premiums have even decreased. This “sentinel” effect on premiums has likely produced more savings for consumers and employers than the rebates themselves. The new rate review procedures required under the ACA – where states and the federal government review rate increases exceeding 10% – also may have encouraged insurers to moderate their premium requests. While these provisions of the ACA are not likely to solve the problem of rising health insurance premiums or do much to restrain underlying health care costs over the longer term, they can help to ensure that consumers and businesses get greater value for their premium dollar.

This brief was prepared by Cynthia Cox, Larry Levitt, and Gary Claxton of the Kaiser Family Foundation as part of the Kaiser Initiative on Health Reform and Private Insurance, which examines the implications of changes in the private insurance market under the ACA and informs federal and state policymakers as they implement provisions of the law.

Table 1. Estimated MLR Rebates in the Individual Market (2012)						
State	Total Amount of Rebates	Enrollment in Plans Paying Rebates	Number of Plans Paying Rebates	Average Rebate per Individual Market Enrollee	Percent of Individual Market Enrollees in Plans Paying Rebates	Average Rebate per Enrollee, in Plans Paying Rebates
AK	$337,064	1,105	1	$21.23	7%	$304.99
AL	$2,987,314	13,208	4	$17.42	8%	$226.17
AR	$2,602,884	12,406	3	$22.34	11%	$209.81
AZ	$24,360,326	213,809	6	$94.22	83%	$113.93
CA*	N/A	N/A	N/A	N/A	N/A	N/A
CO	$2,275,342	41,690	5	$7.79	14%	$54.58
CT	$6,360,345	46,465	3	$57.50	42%	$136.89
DC	-	-	0	-	-	-
DE	$981,524	11,264	2	$55.33	63%	$87.14
FL	$49,732,991	325,652	13	$58.78	38%	$152.72
GA	$3,855,429	109,776	6	$10.29	29%	$35.12
HI	-	-	0	-	-	-
IA	$8,771	370	1	$0.05	0.2%	$23.68
ID	$261,374	1,083	1	$2.52	1%	$241.32
IL	$7,961,037	91,572	9	$16.90	19%	$86.94
IN	$2,006,833	73,172	7	$8.64	31%	$27.43
KS	$2,436,524	30,101	6	$19.21	24%	$80.94
KY	$129,429	24,401	3	$0.76	14%	$5.30
LA	$3,902,584	30,956	4	$21.94	17%	$126.07
MA	$5,754,470	38,722	6	$67.07	45%	$148.61
MD	$11,357,157	38,696	4	$62.92	21%	$293.50
ME	-	-	0	-	-	-
MI	$14,693,768	101,346	8	$31.87	22%	$144.99
MN	$1,060,194	10,723	3	$4.15	4%	$98.87
MO	$18,420,954	163,413	10	$67.52	60%	$112.73
MS	$5,922,494	25,046	4	$73.65	31%	$236.46
MT	$1,837,184	17,482	5	$35.35	34%	$105.09
NC	$6,385,694	55,072	9	$15.12	13%	$115.95
ND	$176,504	4,455	2	$4.02	10%	$39.62
NE	$2,602,512	27,465	4	$21.46	23%	$94.76
NH	$204,718	2,402	1	$5.82	7%	$85.23
NJ	$6,205,314	99,084	2	$38.74	62%	$62.63
NM	$1,548	1,223	1	$0.02	2%	$1.27
NV	$2,425,186	25,194	3	$27.11	28%	$96.26
NY**	$10,452,728	69,733	3	$43.74	29%	$149.90
OH	$7,814,746	139,500	6	$19.84	35%	$56.02
OK	$10,613,813	108,869	9	$83.98	86%	$97.49
OR	$2,611,484	13,528	2	$14.91	8%	$193.05
PA	$24,232,043	99,784	7	$50.83	21%	$242.84
RI	$748	35	1	$0.05	0.2%	$21.47
SC	$19,645,510	109,606	8	$150.12	84%	$179.24
SD	$49,487	1,862	2	$0.72	3%	$26.58
TN	$22,342,329	134,629	8	$87.34	53%	$165.96
TX	$127,233,657	657,437	11	$178.27	92%	$193.53
UT	$1,475,653	49,805	4	$10.66	36%	$29.63
VA	$7,799,881	290,269	7	$16.67	62%	$26.87
VT	$43	41	1	$0.00	0.2%	$1.05
WA	$190,663	4,939	1	$0.64	2%	$38.60
WI	$2,593,557	31,763	4	$14.45	18%	$81.65
WV	$1,431,745	6,505	3	$62.65	28%	$220.10
WY	$456,783	5,201	2	$19.19	22%	$87.82
TOTAL (U.S.)	**$426,192,338**	**3,360,858**	**215**	**$39.07**	**31%**	**$126.81**

*California data are incomplete as HMOs are not required to file to the NAIC.

**New York values include one insurer that already paid $330,770 in rebates to consumers

Note: Mini-med plans are not included; these rebtates total $700,000 in Maryland, $92,823 in Texas, and $73,206 in Massachusetts.

Source: Kaiser Family Foundation analysis of insurer filings to the National Association of Insurance Commissioners in the 2011 Supplemental Health Care Exhibit using the Mark Farrah Associates Health Coverage Portal TM. For information on how these values were calculated, see the Methodology section below.

Table 2. Estimated MLR Rebates in the Small Group Market (2012)						
State	Total Amount of Rebates	Enrollment in Plans Paying Rebates	Number of Plans Paying Rebates	Average Rebate per Small Group Market Enrollee	Percent of Small Group Market Enrollees in Plans Paying Rebates	Average Rebate per Enrollee, in Plans Paying Rebates
AK	$1,401,936	2,712	1	$41.33	8%	$516.94
AL	$983,769	4,838	1	$3.18	2%	$203.34
AR	$4,398,115	56,074	2	$40.94	52%	$78.43
AZ	$9,257,352	134,436	6	$39.84	58%	$68.86
CA*	N/A	N/A	N/A	N/A	N/A	N/A
CO	$2,295,746	27,788	4	$8.47	10%	$82.62
CT	$1,849,518	35,589	3	$6.92	13%	$51.97
DC	$7,257,619	82,843	6	$80.70	92%	$87.61
DE	$373	4,001	1	$0.01	7%	$0.09
FL	$65,295,485	659,154	5	$72.48	73%	$99.06
GA	$13,383,273	217,653	5	$21.48	35%	$61.49
HI	-	-	0	-	-	-
IA	$424,094	39,994	2	$2.34	22%	$10.60
ID	$2,651,078	33,519	2	$29.33	37%	$79.09
IL	$15,149,336	159,581	8	$24.16	25%	$94.93
IN	$10,944,576	231,577	5	$29.16	62%	$47.26
KS	$471,360	13,512	3	$2.38	7%	$34.88
KY	$3,253,008	34,007	1	$16.43	17%	$95.66
LA	$3,289,421	19,299	1	$10.93	6%	$170.44
MA	$36,359,381	217,883	8	$60.82	36%	$166.88
MD	$6,579,698	198,406	2	$18.74	57%	$33.16
ME	$39	1,186	1	$0.00	1%	$0.03
MI	$2,303,823	23,449	4	$3.61	4%	$98.25
MN	-	-	0	-	-	-
MO	$33,330,550	246,155	5	$97.75	72%	$135.40
MS	$1,576,318	10,838	2	$13.26	9%	$145.44
MT	$616,107	6,453	2	$11.81	12%	$95.47
NC	$4,335,681	97,670	5	$11.69	26%	$44.39
ND	-	-	0	-	-	-
NE	$1,291,432	18,138	3	$12.11	17%	$71.20
NH	-	-	0	-	-	-
NJ**	$41,287,146	598,951	4	$54.12	79%	$68.93
NM	-	-	0	-	-	-
NV	$6,346,634	50,439	6	$58.74	47%	$125.83
NY	$4,767,159	37,992	2	$2.92	2%	$125.48
OH	$2,912,828	72,430	5	$2.97	7%	$40.22
OK	$10,402,707	130,945	4	$53.49	67%	$79.44
OR	$1,266,309	7,359	1	$5.45	3%	$172.09
PA	$8,672,490	294,712	3	$7.13	24%	$29.43
RI	-	-	0	-	-	-
SC	$6,751,695	145,401	6	$39.50	85%	$46.43
SD	-	-	0	-	-	-
TN	$4,374,510	65,908	5	$11.40	17%	$66.37
TX	$28,499,704	500,831	5	$20.66	36%	$56.90
UT	$2,426,074	47,632	3	$9.87	19%	$50.93
VA	$24,155,483	221,185	5	$56.22	51%	$109.21
VT	-	-	0	-	-	-
WA	$142,505	3,107	1	$0.45	1%	$45.87
WI	$4,736,616	167,008	4	$11.57	41%	$28.36
WV	$774,554	6,134	2	$10.83	9%	$126.28
WY	$521,081	5,998	2	$19.83	23%	$86.88
TOTAL (U.S.)	**$376,736,583**	**4,932,786**	**146**	**$21.25**	**28%**	**$76.37**

*California data are incomplete as HMOs are not required to file to the NAIC.

**New Jersey values include one insurer that already paid $18,934,071 in rebates to consumers

Source: Kaiser Family Foundation analysis of insurer filings to the National Association of Insurance Commissioners in the 2011 Supplemental Health Care Exhibit using the Mark Farrah Associates Health Coverage Portal TM. For information on how these values were calculated, see the Methodology section below.

Table 3. Estimated MLR Rebates in the Large Group Market (2012)

State	Total Amount of Rebates	Enrollment in Plans Paying Rebates	Number of Plans Paying Rebates	Average Rebate per Large Group Market Enrollee	Percent of Large Group Market Enrollees in Plans Paying Rebates	Average Rebate per Enrollee, in Plans Paying Rebates
AK	-	-	0	-	-	-
AL	-	-	0	-	-	-
AR	$2,527,033	27,140	3	$10.44	11%	$93.11
AZ	$2,895,098	40,449	3	$4.55	6%	$71.57
CA*	N/A	N/A	N/A	N/A	N/A	N/A
CO	$21,154,806	442,206	5	$29.75	62%	$47.84
CT	$6,388,702	130,052	3	$13.91	28%	$49.12
DC	$59,942,720	662,624	8	$70.15	78%	$90.46
DE	$56,167	5,874	1	$0.56	6%	$9.56
FL	$33,561,185	768,259	6	$16.09	37%	$43.68
GA	$13,174,803	365,960	5	$14.39	40%	$36.00
HI	-	-	0	-	-	-
IA	$806,514	25,676	2	$2.17	7%	$31.41
ID	-	-	0	-	-	-
IL	$3,729,190	263,810	7	$1.71	12%	$14.14
IN	$3,554,709	63,065	5	$9.35	17%	$56.37
KS	$65,175	1,310	2	$0.15	0.3%	$49.75
KY	$5,300,147	212,662	4	$14.30	57%	$24.92
LA	$252,414	51,782	2	$0.76	16%	$4.87
MA	$3,586,215	177,017	3	$3.45	17%	$20.26
MD	$19,686,884	276,546	5	$18.67	26%	$71.19
ME	$490,221	18,932	2	$2.50	10%	$25.89
MI	$1,998,320	19,747	2	$0.94	1%	$101.20
MN	$13,557,968	92,660	2	$17.68	12.1%	$146.32
MO	$12,774,286	245,341	3	$16.83	32%	$52.07
MS	$3,041,266	25,399	2	$16.51	14%	$119.74
MT	-	-	0	-	-	-
NC	$16,898,884	139,156	6	$29.31	24%	$121.44
ND	-	-	0	-	-	-
NE	$39,254	158	1	$0.20	0.1%	$248.44
NH	$39,414	1,482	1	$0.25	1%	$26.59
NJ	$58,970,008	775,492	5	$51.13	67%	$76.04
NM	-	-	0	-	-	-
NV	-	-	0	-	-	-
NY**	$127,203,068	895,544	7	$19.86	14%	$142.04
OH	-	-	0	-	-	-
OK	$906,156	25,603	3	$2.04	6%	$35.39
OR	-	-	0	-	-	-
PA	$71,629,246	669,523	5	$30.29	28%	$106.99
RI	-	-	0	-	-	-
SC	$517,861	4,574	2	$1.10	1%	$113.22
SD	-	-	0	-	-	-
TN	$2,276,917	23,046	3	$4.73	5%	$98.80
TX	$30,610,509	641,645	5	$16.74	35%	$47.71
UT	$1,047,819	29,001	1	$2.23	6%	$36.13
VA	$8,941,628	131,432	5	$7.26	11%	$68.03
VT	$1,791,527	4,636	1	$24.30	6%	$386.42
WA	$1,665,341	51,229	2	$1.36	4%	$32.51
WI	$9,486,342	166,624	3	$9.73	17%	$56.93
WV	-	-	0	-	-	-
WY	-	-	0	-	-	-
TOTAL (U.S.)	**$540,567,798**	**7,475,657**	**125**	**$13.57**	**19%**	**$72.31**

*California data are incomplete as HMOs are not required to file to the NAIC.

**New York values include one insurer that already paid $3,709,914 in rebates to consumers

Source: Kaiser Family Foundation analysis of insurer filings to the National Association of Insurance Commissioners in the 2011 Supplemental Health Care Exhibit using the Mark Farrah Associates Health Coverage Portal TM. For information on how these values were calculated, see the Methodology section below.

Methodology

Rebate estimates are based on insurer filings to the National Association of Insurance Commissioners (NAIC) in the 2011 Supplemental Health Care Exhibit (SHCE). The source of the data was the Health Coverage Portal ™, a market database maintained by Mark Farrah Associates, which includes information from the NAIC. The data download was executed on April 17, 2012. California data are incomplete as managed care plans are not required to report data to the NAIC.

We limited our analysis to the 50 states and the District of Columbia. Four insurers in the individual market were excluded because they reported negative rebate values. Five other plans with a company focus on specialty health plans reported owing MLR rebates; these rebates are included in the individual markets of Minnesota ($587,006), Missouri ($480,998), and Pennsylvania ($84,000), the small group market in Wisconsin ($332,880), and the large group market in Minnesota ($12,000,000). In the SHCE, the small group market refers to groups with up to 100 employees, except in states that define small groups as group with up to 50 employees (this is allowed under the ACA until 2016). Individual market estimates do not include individual mini-med plans, which report estimated 2012 rebates totaling $700,000 in Maryland, $92,823 in Texas, and $73,206 in Massachusetts. No insurers in the small group mini-med, large group mini-med, and expatriate markets reported owing rebates.

Total rebate amounts are based on insurer-reported estimates of MLR rebates unpaid for the current year plus any amount reported as already paid by the insurer. In this brief, the number of enrollees refers to a plan's life years, which is calculated by dividing member months by twelve. Average rebate per enrollee was calculated by dividing the total amount of rebates in each state by the total number of life years in that state, by market. The percent of people getting rebates was calculated by dividing the enrollment in plans expecting to issue rebates (measured in life years) by the total enrollment, in each state and market segment. The average rebate for people receiving rebates was calculated by dividing the total amount of rebates by the total life years in plans expecting to issue rebates, in each state and market segment.

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