

How to Distribute Medical Loss Ratio Rebates

If you receive a check or letter from the health insurance company about something called a MLR rebate, it just means you are due a refund of health insurance premiums from last year:

<https://www.dol.gov/agencies/ebsa/employers-and-advisers/guidance/technical-releases/11-04>

You'll either receive a check or the health insurance company will automatically apply your rebate to your next health insurance invoice. Ultimately it is up to you to account & document this. You must use the rebate proceeds in a certain way.

- To reduce CURRENT subscribers' portion of the annual premium for the subsequent policy year for all subscribers covered under any group health policy offered by the plan. So, distribute the rebate among everyone currently enrolled, despite their enrollment in previous time periods.
- To reduce CURRENT subscribers' portion of the annual premium for the subsequent policy year, FOR ONLY those subscribers covered by the group health policy time period on which the rebate was based. So, distribute the rebate among currently enrolled employees WHO WERE ALSO enrolled in the year the rebate is based on (usually last year).
- To provide a cash refund only to subscribers who were covered by the group health policy on which the rebate is based. Therefore, you must find everyone who was enrolled the DURING the year the rebate was based on (usually last year)... Even if they have moved to India (or at least document a "reasonable" attempt to do so).

I recommend going with option 1 or 2... and you can divide the rebate evenly. So, if the rebate was \$200...and you have 10 people enrolled / eligible for the rebate and they all paid 100% of their own premiums... everyone gets \$20 off their next payroll deduction for health insurance.

You have 3 months to do this distribute the rebates. A 4th option is "grey area" but I think fine if the cash amount is tiny. The rebate is "plan assets for the benefit of plan participants"...

Let's say the company pays for 95% of the health insurance premiums and the rebate was \$200. Then the company's share of the rebate is \$190 and the employee's share is \$10. If you have 38 employees...Maybe you want to go write each employee a check for 26 cents... but I think it's OK to just buy a pizza lunch or let everyone leave an hour early one day and call that "plan assets used for the benefit of plan participants".

You can also go deeper in the math and PROPORTIONALLY refund everyone their share of premiums paid last year. This is most often done with Method #2... refunding premiums current enrollees who were also enrolled last year (or during the period the rebate is for). This method may be preferable if the employee pays a large share of the premium for Family coverage or some other situation where proportional rebates seem more just.