



August 2022

«business\_name»

«mail\_add1»

«mail\_add2»

«mail\_city», «mail\_state» «mail\_zip»

## Notice of Health Insurance Premium Rebate

Re: Health Insurance Premium Rebate for Year 2021; Account # «member\_code»

Dear «business\_name»:

This letter is to inform you that you will receive a rebate of a portion of your health insurance premiums. This rebate is required by the Affordable Care Act – the health reform law.

The Affordable Care Act requires Fallon Health to issue a rebate to you if Fallon does not spend at least 80 percent of the premiums it 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 requirement 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 may 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 Medical Loss Ratio 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 premiums it received, Fallon must rebate 0.8% of your health insurance premiums. We are required to provide this rebate to you by August 31, 2022, or apply this rebate to your premium that is due on or after August 31, 2022.

The rebate will be issued in the form of a credit on your October 2022 premium invoice issued by HSA Insurance which will be mailed to you during the week of August 29, 2022.

### 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 [fallonhealth.org/mlr](https://fallonhealth.org/mlr).

Sincerely,

Todd Bailey  
Senior Vice President and Chief Financial Officer  
Fallon Health

## 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>. 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.

### **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).