

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

Re: Health Insurance Premium Rebate for Year 2013

Dear Subscriber,

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: <http://www.healthcare.gov/law/features/costs/value-for-premium/index.html>.

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 90% Medical Loss Ratio, meaning that 90% of premiums must be spent on medical services and activities to improve health care quality, and no more than 10% 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 2013, Fallon spent only 88.0% of a total of \$209,621,588 in premium dollars on health care and activities to improve health care quality. Since it missed the 90% target by 2.0% of premiums it received, Fallon must rebate 2.0% of your health insurance premiums. We are required to provide this rebate to you by June 30, 2014, or apply this rebate to your premium that is due on or after June 30, 2014.

We are enclosing a check.

### **Need more information?**

If you have any questions about the Medical Loss Ratio and your health insurance coverage, please contact Fallon toll-free at 1-855-508-2542 or visit [fchp.org/MLR](http://fchp.org/MLR).

Sincerely,

R. Scott Walker  
Executive Vice President and Chief Financial Officer  
Fallon Community Health Plan

## **Answers to your questions about Fallon's 2013 Medical Loss Ratio Rebates**

### **How is Fallon's Medical Loss Ratio (MLR) calculated?**

The calculation is based on the incurred claims in 2013 and expenses for activities that improve health care quality. That amount is divided by the premium billed for 2013 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 eligible employees) and divided among all merged market customers according to the amount of premium billed for each particular individual or small group in 2013.

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

In 2013, 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.

As one of America's top-rated health plans, Fallon continues to work together with our provider partners to make sure members receive the most effective, efficient high-quality care and services. We also continue to invest in quality-improving initiatives and technology advancements to ensure consumers 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 [http://www.irs.gov/uac/Medical-Loss-Ratio-\(MLR\)-FAQs](http://www.irs.gov/uac/Medical-Loss-Ratio-(MLR)-FAQs).

### **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: [www.healthcare.gov/law/features/costs/value-for-premium/index.html](http://www.healthcare.gov/law/features/costs/value-for-premium/index.html)

Information about Fallon's Medical Loss Ratio is available at [fchp.org/MLR](http://fchp.org/MLR) or at 1-855-508-2542.



*Fallon Health is the only health plan in Massachusetts to have been awarded "Excellent" Accreditation by the National Committee for Quality Assurance for its HMO, Medicare Advantage and Medicaid products. Our health care quality improvement initiatives ensure members get the best value for their health care dollar.*

**Learn about Fallon's wellness programs available to you at  
[fchp.org/TheWell](http://fchp.org/TheWell).**