Arizona Department of Economic Security
Arizona Health Care Cost Containment System

POLICY CHANGE ALERT #16-001F

TITLE: MEDICAL LOSS RATIO REBATES **ISSUE DATE: 01/04/2016**

EFFECTIVE DATE: EFFECTIVE IMMEDIATELY

Summary

Programs Impacted: NA and CA

This Policy Change Alert is being issued to inform staff that the income type Medical Loss Ratio (MLR) rebates is being added to the FAA Policy Manual.

An MLR rebate is a payment from an insurance provider to the customer. This payment is either one of the following:

- Received as a form of payment to the customer and treated as a lump sum payment.
- Used as a reduction from premiums and treated as a vendor payment.

Revision Details

The FAA Policy Manual will be updated to include the information in this Policy Change Alert during one of the next bimonthly revisions. Until then, an alert will be placed in each revised section with a link to this document as a reminder of the policy change.

POLICY REFERENCE: FAA4.H04QQ – MEDICAL LOSS RATIO REBATES

Treat Medical Loss Ratio (MLR) rebates(g) as a lump sum.

EXCEPTION

When the MLR rebate is in the form of a reduction from premiums, or in a manner that is not in the form of a payment to the participant, it should be treated as a vendor payment.

POLICY REFERENCE: FAA6.Q01M.10– MEDICAL LOSS RATIO (MLR) REBATES GLOSSARY TERM

Under the Affordable Care Act (ACA), insurance carriers must refund premiums to consumers if less than 80 percent of premiums are paid out by the insurance provider for medical care. The remaining 20 percent of premiums are applied to administrative costs. This is known as the 80/20 rule, also known as the Medical Loss Ratio (MLR). Under the new law, insurance companies must pay the refund by August 1 of each year.

Please contact the FAA Policy Support Team by phone at **(602) 774-5523** or by e-mail at **FAAPolicyMgmt@azdes.gov** with any questions or concerns regarding this broadcast.

Please consider the environment before printing this broadcast.

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