



Welcome to the medical loss ratio initiative for Blue Cross Blue Shield of Michigan and Blue Care Network. Be sure to review the frequently asked questions section for any questions you may have.

We're requesting this information for your group by **June 19, 2015**. We're also requesting one response per group; if someone else from your group has already responded, please don't submit multiple responses.

Medical loss ratio

Frequently asked questions

Q: What is the medical loss ratio?

A: The percentage of premiums used to cover medical costs is referred to as the medical loss ratio. As of April 2011, health insurance companies must submit annual reports of the percentage of earned premium dollars spent on clinical services, quality improvement and administrative expenses

Q: Why are the Blues asking for this information?

A: There are specific requirements outlined in the federal Patient Protection and Affordable Care Act that require health insurance carriers to determine the percentage of premium dollars collected and spent on direct health care costs, distinguishing between the small group and large group markets. These requirements are associated with medical loss ratio. This data is necessary to ensure full compliance with the law to avoid federal penalties and to avoid incorrectly categorizing your group.

Q: Is information being requested of all BCBSM and BCN groups?

A: No, only fully insured group customers, including all Blue Cross Blue Shield of Michigan and Blue Care Network customers.

Q: Don't the Blues already have employee counts documented?

A: Employee counts are needed annually. In some cases we may not have current data on a group's employee count, including its seasonal or part-time employees. The law requires that all employees are included in the average count when thresholds for medical loss ratio are determined, regardless of eligibility for coverage.

Q: What's the deadline for this information?

A: We need your response by June 19, 2015.

Q: Are there potential penalties for noncompliance with MLR requirements?

A: There could be significant federal penalties for insurers and employers who fail to comply with the law, including a penalty of \$100 per responsible entity each day per violation for each individual.

Q: If we don't respond, what employee count would the Blues use?

A: The Blues will use an approximation of employee count based on current data in our records. BCBSM and BCN need updated information from you to ensure proper categorization in order to ensure compliance with the law's requirements.

Q: Will the Blues want this information annually?

A: The Blues will require this data on an annual basis to comply with the law's mandate. BCBSM and BCN are actively evaluating more simple methods for future, annual collection of this data.

Q: How should we calculate the average number of employees in a one-year period?

A: The law defines the total number of employees as the average number of employees employed on business days during the preceding calendar year. This includes full-time, part-time and seasonal employees, whether or not they're eligible for health care coverage. In accordance with federal law and regulations, sole proprietors and their spouses should not be included in the employee count.

To calculate the average number of employees:

- Count the average number of full-time, part-time and seasonal employees for the business days each month, add those monthly counts up and divide by 12.
- Round the average number up or down to the nearest whole number.

This will give you your average number of employees for 2014.

Q: Are we required to provide our employee count if we weren't enrolled with the Blues during the 2014 calendar year?

A: Yes. Regardless of the insurance carrier you were with during the 2014 calendar year, the Blues still need your employee count.

Q: Why are the Blues asking for the employee count in 2014?

A: The law defines the total number of employees as the average number of employees employed on business days during the preceding calendar year.

Q: What does it mean to be a sole proprietor?

A: A sole proprietor is defined as an individual who is the sole owner of a business.

Q: Why are the Blues requesting information on sole proprietorships?

A: As a result of recent federal medical loss ratio regulations, the Blues are requesting information from sole proprietors to assist in determining whether a sole proprietor is considered a group health plan or an individual health plan. This detailed information will help:

- Refine our MLR calculations
- Ensure that the sole proprietor is appropriately designated as being a group health plan or individual health plan under the federal rules
- Determine whether the Blues meet the required MLR thresholds

Q. Why are the Blues requesting information on group health plan type?

A. The MLR regulation draws a distinction between ERISA group health plan types for purposes of rebate distribution. The regulation requires the Blues to collect this information in case we are required to distribute rebates.

Q: Why aren't we required to include retirees in the employee count?

A: The employee count is based on **active** employees only.

Q: Will this result in an increase our rate?

A: Rate changes aren't associated with this request.

Q: Where can we go to provide BCBSM and BCN our employee count?

A: For your convenience, we're providing multiple ways to respond:

- The form is also available electronically and can be submitted online.
- The data can be submitted on a form, which we have mailed to you, and sent back to us in the prepaid envelope we enclosed.
- You can also fax us or email us a scanned copy of this form.
- Or you can call us with the information.

Online form: bcbsm.com/rbtsurvey

Email: acadatacollection@bcbsm.com

Fax: 1-877 325-7853

Phone number: 1- 855-269-9890