

# Health Insurance Premiums Are Refunded to 8.5 Million Enrollees



The Department of Health and Human Services (HHS) announced recently that nationwide, 77.8 million consumers saved \$3.4 billion up front on their premiums as insurance companies operated more efficiently. Additionally, consumers nationwide will save \$500 million in rebates, with 8.5 million enrollees due to receive an average rebate of around \$100 per family.

This report includes the 2012 health insurer data required under the Affordable Care Act's Medical Loss Ratio, or "80/20 rule." The report shows that, compared to 2011, more insurers are meeting this standard and spending more of their premium dollars directly toward patient care and quality, and not red tape and bonuses.

*"The 80/20 rule requires insurance companies to rebate any excess premium charged if they spend less than 80% of premiums on medical care and efforts to improve the quality of care (or at least 85% in the large group market). Under the 80/20 rule, insurance companies cannot keep more than 20% of premiums (or more than 15% in the large group market) for overhead and profits. Companies that spend 80% (85% in the large group market) or more on medical claims and improving health care quality already provide consumers with the required value for their premium dollars."*

Created through the Affordable Care Act, the rule requires insurers to spend at least 80 cents of every premium dollar on patient care and quality improvement. If they spend a higher amount on other expenses like profits and red tape, they owe

rebates back to consumers. For many consumers, the report found that the law motivated their plans to lower prices or improve their coverage to meet the standard. This new standard and other Affordable Care Act policies contributed to consumers saving approximately \$3.9 billion on premiums in 2012, for a total of \$5 billion in savings since the program's inception.

If an insurer did not spend enough premium dollars on patient care and quality improvement, rebates will be paid in one of the following ways:

- a rebate check in the mail;
- a lump-sum reimbursement to the same account that they used to pay the premium if by credit card or debit card;
- a reduction in their future premiums; or
- their employer providing one of the above, or applying the rebate in another manner that benefits its employees, such as more generous benefits.

**Insurance companies that do not meet the standard will send consumers a notice informing them of this new rule.** The notice will also let consumers know how much the insurer did or did not spend on patient care or quality improvement, and how much of that difference will be returned as a rebate.

The 80/20 rule, along with the required review of proposed double-digit premium increases, works to stabilize and moderate premium rates. And, with the new market reforms, including the guaranteed availability protections and prohibition of the use of factors such as health status, medical history, gender and industry of employment to set premiums rates, this policy helps ensure every American has access to quality, affordable health insurance.