



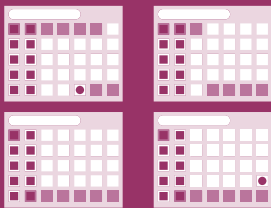
UPCOMING DEADLINE: MLR REBATES



Employers with insured group health plans may soon receive a medical loss ratio (MLR) rebate from their health insurance issuers. Issuers who did not meet the applicable MLR percentage for 2023 must provide rebates to plan sponsors by Sept. 30, 2024. These rebates may be in the form of a premium credit or a lump sum payment.

HIGHLIGHTS AND ACTION STEPS

Issuers who did not meet their MLR percentage for 2023 must provide rebates by **Sept. 30, 2024**.



As a general rule, an employer who receives a rebate should use it within three months to avoid ERISA's trust requirement. For rebates received on **Sept. 30, 2024**, this three-month deadline is **Dec. 30, 2024**. This deadline should be adjusted for rebates received before **Sept. 30, 2024**.

Employers who receive MLR rebates should also be prepared to answer questions from employees about the rebate and how it is being allocated.

MLR RULES

The MLR rules require health insurance issuers to spend a minimum percentage of their premium dollars on medical care and health care quality improvement. This percentage is **85%** for issuers in the large group market and **80%** for issuers in the small and individual group markets. States may set higher MLR standards than the federal **80%/85%** thresholds.

Issuers must report to the federal government how they spent their premium dollars for each calendar year by July 31 of the following year. Issuers who do not meet the applicable MLR standard must provide rebates by Sept. 30, following the end of the MLR reporting year. Issuers who issue rebates must provide plan sponsors and participants with a notice explaining the rebate and how it was calculated.

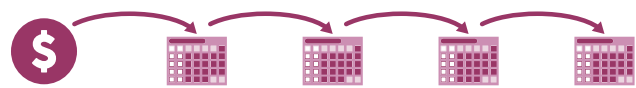
USING MLR REBATES

Employers with ERISA plans should not assume they can simply retain an MLR rebate. In general, unless an employer pays the entire cost of health coverage without any employee contribution, at least a portion of the rebate will be a plan asset under ERISA. Any rebate amount that qualifies as a plan asset must be used for the exclusive benefit of the plan's participants and beneficiaries.

Employers can satisfy ERISA's exclusive benefit requirement by:



Distributing the plan asset portion of the rebate to participants under a reasonable, fair and objective allocation method; or



If distributing payments to participants is not feasible, use this portion of the rebate for other permissible plan purposes, such as applying the rebate toward future participant premium payments or benefit enhancements.

