



ACA COMPLIANCE BULLETIN

DEADLINE FOR EMPLOYERS TO USE MLR REBATES IS COMING UP

Employers with insured health plans may have received a medical loss ratio (MLR) rebate from their health insurance issuers earlier this year. Issuers who did not meet the applicable MLR percentage for 2024 were required to provide rebates by Sept. 30, 2025. These rebates may have been in the form of a premium credit or a lump-sum payment.

Any portion of an MLR rebate that qualifies as a plan asset under the Employee Retirement Income Security Act (ERISA) 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 using a reasonable, fair and objective allocation method. If distributing payments to participants is not feasible, the employer may use this portion of the rebate for other permissible plan purposes, such as applying the rebate toward future participant premium payments or benefit enhancements.

To the extent a rebate qualifies as a plan asset, ERISA would generally require the amount to be held in trust. However, employers can avoid the trust requirement by using any plan asset portion of the rebate within three months of its receipt. Depending on when an employer received its MLR rebate, this three-month deadline may be approaching.

ACTION STEPS

Employers that receive MLR rebates should consider their obligations under ERISA before using the rebate. Any portion of a rebate that qualifies as a plan asset must be used for the exclusive purpose of the plan's participants and beneficiaries. Employers cannot retain any portion of a rebate that is a plan asset or use it for their own purposes. To avoid ERISA's trust requirement, the plan asset portion of an MLR rebate must be used within three months of the employer's receipt. For example, if an employer received its rebate on Sept. 30, 2025, the deadline for using the plan asset portion is Dec. 30, 2025. premiums for self-only coverage and does not include any additional cost for family coverage. Also, if an employer offers multiple health coverage options, the affordability test applies to the lowest-cost option that provides minimum value.

Because an employer generally will not know an employee's household income, the IRS has provided three optional affordability safe harbors that ALEs may use to determine affordability based on information that is available to them: the Form W-2 safe harbor, the rate of pay safe harbor and the federal poverty level safe harbor.

KEY POINTS

- + The Affordable Care Act requires health insurers to spend a minimum percentage of their premium dollars on medical care and health care quality improvement.
- + Issues that do not meet the applicable MLR standard must provide rebates to consumers.
- + Employers that receive MLR rebates must consider whether any portion of the rebate is a plan asset under ERISA.
- + Plan assets must be used for the exclusive benefit of plan participants and beneficiaries.

DEADLINES

SEPT. 30, 2025

Deadline for issuers who did not meet the applicable MLR percentage for 2024 to provide rebates.

THREE MONTHS AFTER RECEIPT

Any rebate amount that qualifies as a plan asset under ERISA must be used within three months of receiving it.

