

The 80/20 Rule Increases Value For Consumers For Fifth Year In A Row

The Medical Loss Ratio (MLR) Provision, or 80/20 Rule

The Medical Loss Ratio Provision, or 80/20 Rule, of the Affordable Care Act offers important consumer protections and savings to over 75 million consumers¹ who have health insurance coverage either through their employer (known as the group market) or the individual market, where consumers purchase their own health insurance. The rule generally requires health insurance companies in the individual and small group markets to spend at least 80 percent (85 percent in the large group market) of premium dollars collected from consumers on actual health care or quality improvement activities. The rule increases transparency and requires health insurance companies to report financial information including premium revenue and how much is spent on medical care and quality improvement activities versus administrative activities, such as salaries and marketing.

Consumer Benefits of the 80/20 Rule

If health insurance companies do not meet or exceed the 80 or 85 percent MLR standard, they are required to pay rebates to the enrollees, refunding the difference. This is based on how the insurance company spent the total premium dollars of all its enrollees in the applicable market in a state, rather than on the premiums and claims of any specific enrollee. These rebates are provided directly to consumers who purchased health insurance in the individual market in one of the following ways: as a check in the mail; a reimbursement to the account that was used to pay the premium; or a direct reduction in their future premiums. In the small group and large group markets, the rebate is generally provided to the employer, who must provide the employee rebates in one of the three aforementioned ways or apply the rebate in a manner that benefits employees. And thanks to the 80/20 rule and other provisions of the Affordable Care Act, consumers who purchase their own health insurance in the individual market finally receive the required value for their premiums up front as often as consumers who obtain health insurance coverage through their employer. (See **Figure 1** for the percentage of consumers insured by companies that met or exceeded the MLR standard, receiving upfront value.)

Since the 80/20 rule was enacted in 2011, nearly \$2.8 billion in total rebates have been paid to consumers, including rebates for 2015. (See **Figure 2** for refunds by year.) For 2015, 2.8 million families representing a total of over 4.8 million consumers, are receiving approximately \$397 million in rebates this year. Consumers are receiving approximately \$107 million in rebates in the individual market, \$154 million in the small group market, and \$136 million in the large group market. The average refund per family is \$124 in the individual market, \$142 in the small group market, and \$146 in the large group market. (See **Figures 3, 4, and 5**, which show how average refunds per family vary by state.)

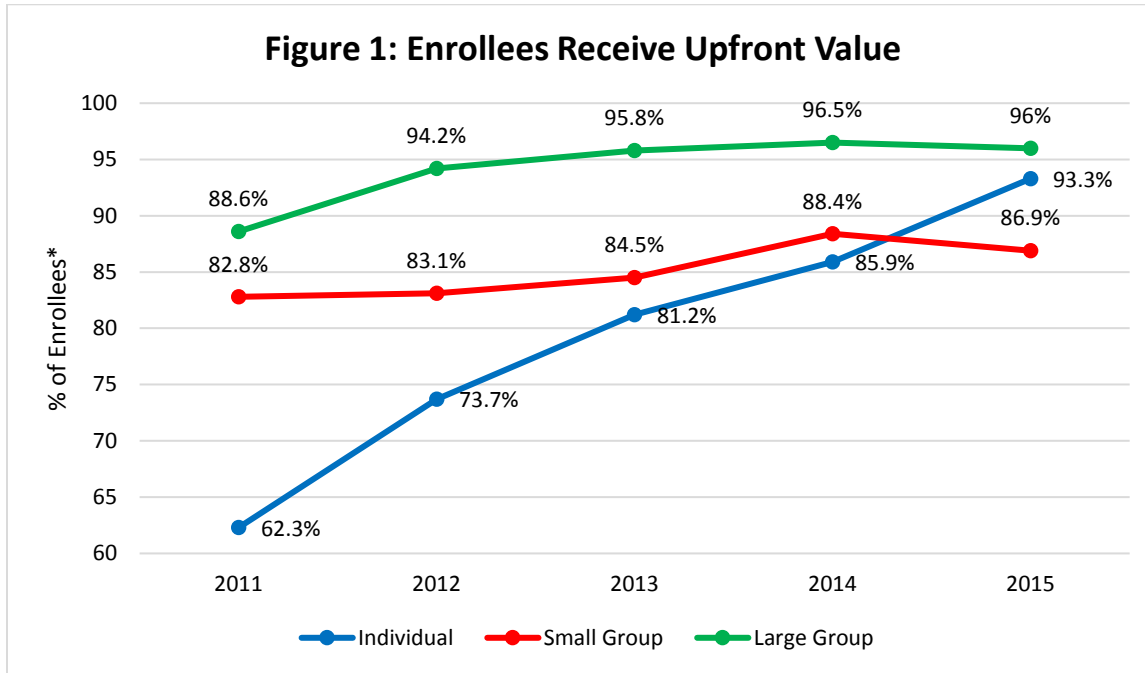
In 2011, average MLRs (i.e., the percentage of premiums spent on health care and quality improvement) were 84.1 percent in the individual market, 84.3 percent in the small group market, and 89.8 percent in the large group market. In 2012, average MLRs were 86.1 percent in the individual market, 84.8 percent in the small group market, and 90 percent in the large group market. In 2013, average MLRs were 86.4 percent in the individual market, 84.6 percent in the small group market, and 90 percent in the large group market. In 2014, average MLRs were 85.7 percent in the individual market, 84.9 percent in the small group market, and 90.1 percent in the large group market. In 2015, average MLRs were 91.8

¹ See https://www.cms.gov/CCIIO/Resources/Data-Resources/Downloads/MLR_DataFilesPUF_20161019.zip.

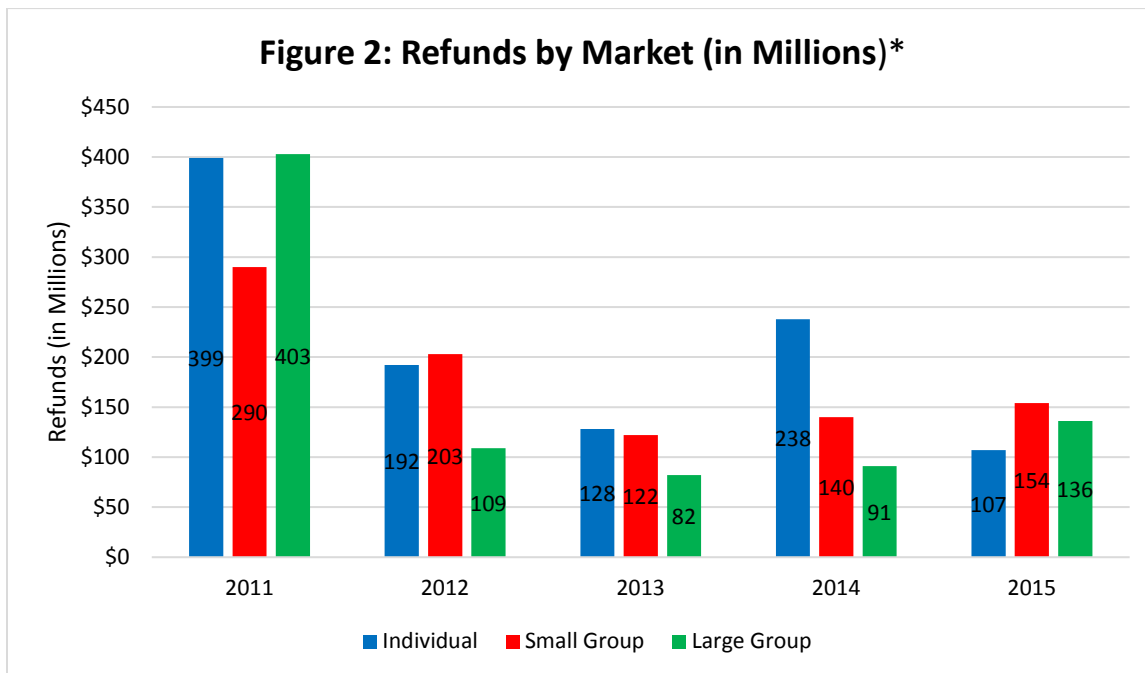
percent in the individual market, 85.6 percent in the small group market, and 90.1 percent in the large group market.

For more information on 2015 MLRs and refunds by state and market, visit:

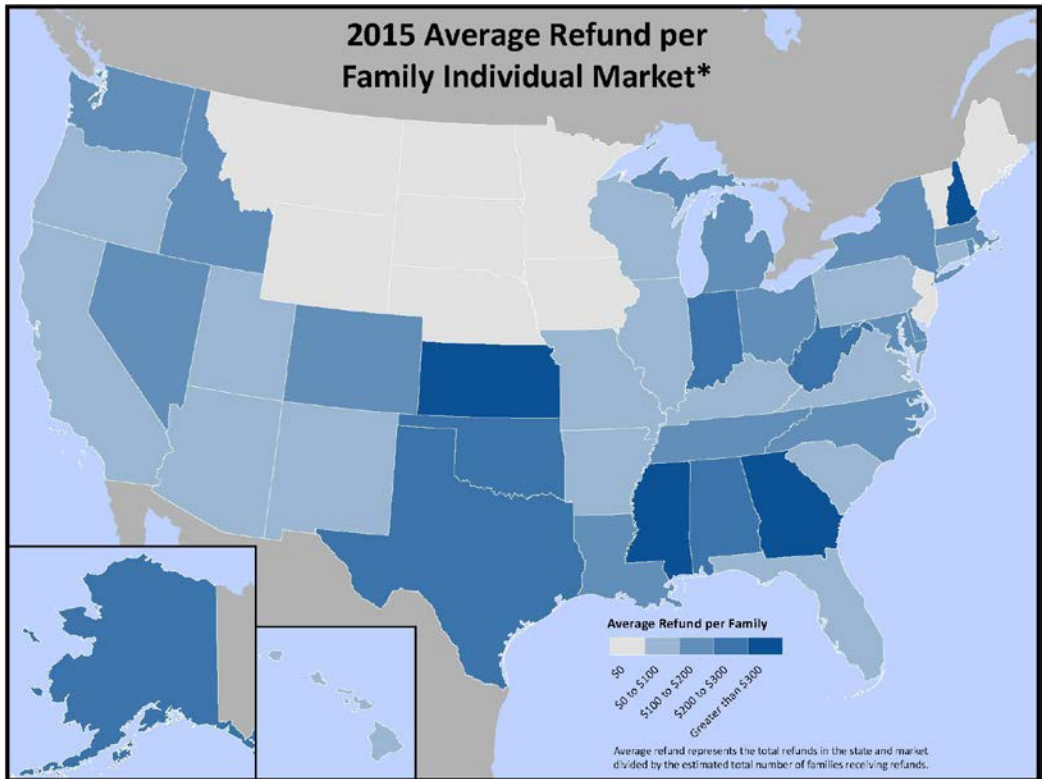
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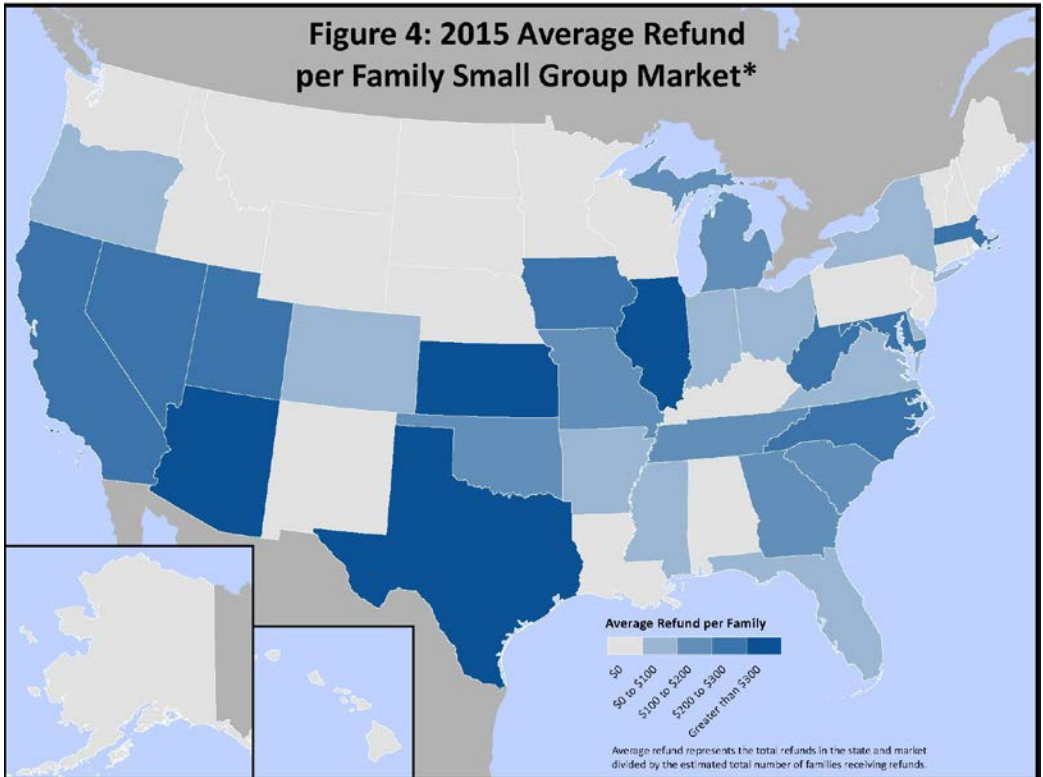
*Enrollees covered by insurance companies that met or exceeded the MLR standard in the respective state and market.



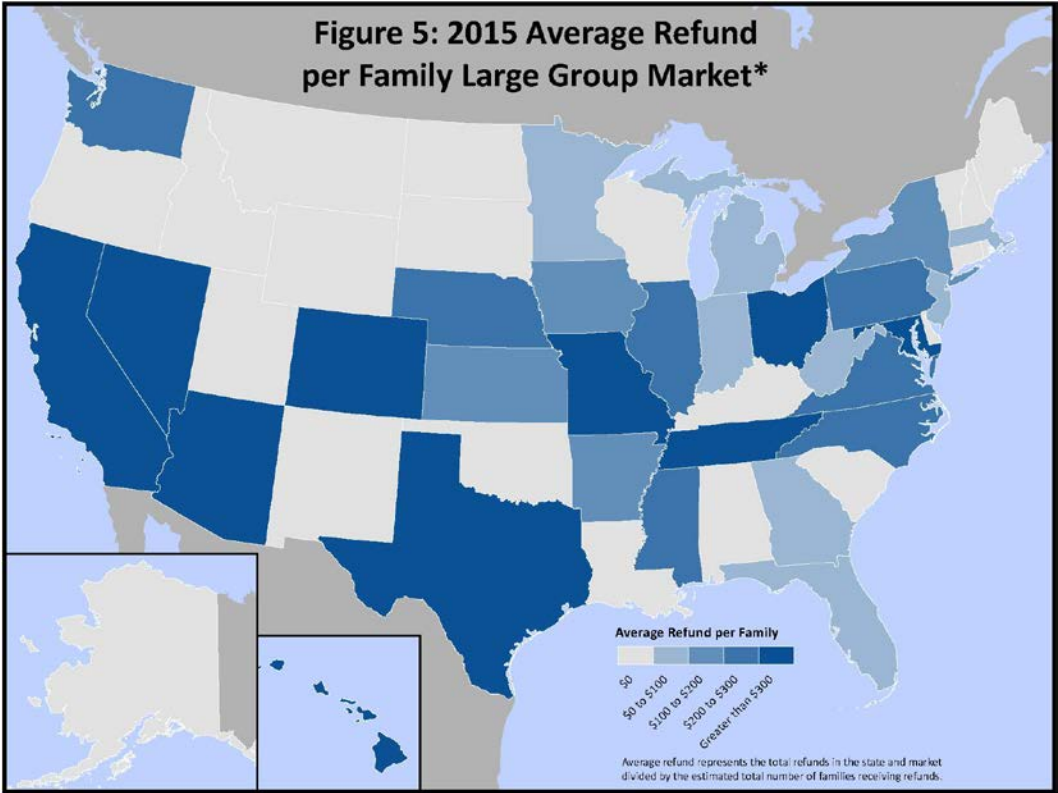
*Does not reflect refunds for Mini-Med and Student Health Plans.



**For families receiving refunds in the respective state and market.*



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