Excellus

October 9, 2012

Dear Group Administrator,

Excellus BlueCross BlueShield exceeded the federal medical loss ratio (MLR) standards last year, so we are not required to rebate premium for 2011. While we exceeded the standards, federal regulation does require that we send you this one-time notice with information about the medical loss ratio. The notice appears on the back of this letter.

The notice explains that the MLR is the percentage of premium spent on health care costs and quality improvements. Health insurers that do not meet the MLR target must rebate the difference between the target and their actual MLR.

Federal standards, as they apply to New York state insurance customers, set the minimum level of benefits to be 82 percent of premium revenues in the small group market and 85 percent for large groups. This benefit-to-premium target is referred to as a MLR. In 2011, Excellus BlueCross BlueShield spent 90.9 percent of premium revenues on medical benefits for small and large groups. This means that $255 million more was spent on hospital and physician services, prescriptions and other medical benefits than federal and state standards required in 2011 under the provisions of the federal Patient Protection and Affordable Care Act.

You must distribute the enclosed cover letter and MLR information notice to your employees. These materials can be shared in hard copy with your next distribution of plan documents (such as benefit summaries), and sent no later than June 30, 2013. A copy of the notice will also be posted on our website at www.excellusbcbs.com/healthreform.

We seek to provide competitive, affordable access to health insurance coverage that maximizes benefits for our customers. By exceeding the established MLR standards, Excellus BlueCross BlueShield offered its members more in medical benefits throughout the year than the minimum amounts set by federal and state governments.

Thank you for your business. We look forward to serving you for many years to come.

Sincerely,

James R. Reed
Senior Vice President, Marketing and Sales

Medical Loss Ratio Information

The Affordable Care Act requires health insurers in the individual and small group markets to spend at least 80 percent of the premiums they receive on health care services and activities to improve health care quality (in the large group market, this amount is 85 percent). This is referred to as the Medical Loss Ratio (MLR) rule or the 80/20 rule. If a health insurer does not spend at least 80 percent of the premiums it receives on health care services and activities to improve health care quality, the insurer must rebate the difference.

A health insurer's Medical Loss Ratio is determined separately for each state's individual, small group and large group markets in which the health insurer offers health insurance. In some states, health insurers must meet a higher or lower Medical Loss Ratio. No later than August 1, 2012, health insurers must send any rebates due for 2011 and information to employers and individuals regarding any rebates due for 2011.

You are receiving this notice because your health insurer had a Medical Loss Ratio for 2011 that met or exceeded the required Medical Loss Ratio. For more information on Medical Loss Ratio and your health insurer's Medical Loss Ratio, visit www.HealthCare.gov