Insurance Rebates

LAKE WALES CHARTER SCHOOLS

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Q. Why did I get the letter?
A. Consumers all over the United States got similar letters from their insurance companies.

The new national health reform law – the Affordable Care Act – requires health insurance companies to reveal how much they spend on health care, and how much they spend on administration, such as salaries and marketing.

If an insurance company spends less than 85% of premiums on medical care and quality, it must rebate the portion of premium dollars that exceeded this limit. This 85/15 rule is known as the Medical Loss Ratio rule.

Q. How much is our rebate?
A. The Lake Wales Charter Schools system already has received and deposited a rebate check for $28,283.87 for the 2011 insurance plan year.

Q. Is the rebate based on money UnitedHealthcare should have spent on us or our care?
A. Not necessarily. Rebates are based on "aggregate market data" in each state, and not upon a particular group health plan's experience. This has more to do with what happened (or didn't happen) in Florida.

Q. How will the LWCS rebate be divided?
A. Here's where it gets complicated. The rebate comes with rules, regulations, and potential income tax ramifications for recipients.

First, we must determine what percentage of the rebate belongs to LWCS (the employer), since LWCS paid 100% of the premium for employees.

Next, our staff must review

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The Affordable Care Act & the 85/15 Rule rebates

Earlier this summer, our employees got letters from UnitedHealthcare about an insurance "rebate" to the Lake Wales Charter Schools system. This Q&A handout answers some of the most common questions about the insurance rebate, which is part of the new health reform law, the Affordable Care Act.

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... questions & answers

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records for the 2011 plan year and determine which employees paid premiums (for dependent coverage, etc.), and follow a formula for determining the share of the rebate for those employees.

Q. If I paid for dependent coverage last year, will I get a rebate check?
A. Maybe. There are a few options under the law. The rebate could be a credit toward future premiums, enhanced benefits, or it may be a refund (like a check).

Our staff will study all options, and make a proposal to the LWCS Finance Committee and LWCS Board of Trustees based on what seems most advantageous to our employees.

One disadvantage of a refund check is that it taxable by the IRS. For example, if Mrs. Smith is eligible for a $70 rebate, but she's in a 19% tax bracket, she'll only end up depositing $56.70.

If an insurance company spends less than 85% of premiums on medical care and quality, it must rebate the portion of premium dollars that exceeded this limit.

Q. Could this happen again next year?
A. Sure. Insurance companies are required to review their premium expenditures each year, and alert consumers if they miss the 85/15 benchmark.

Q. Where can I read more about this?
A. If you are interested in statistics and information compiled from all 50 states, check out www.healthcare.gov which is a website devoted to the Affordable Care Act, the new health reform law.