



### **Can Health Insurance Rebates Affect Workers' Comp Premiums?**

Since 2012, the Affordable Care Act (ACA) has required insurers with a certain medical loss ratio (MLR) to issue a rebate to employers. Depending on the way the rebates are distributed, you may end up paying more for your workers' compensation insurance.

#### **Medical Loss Ratio**

The MLR provision of the ACA states that insurers must spend a proportion of premium revenues on clinical services and improvements to the quality of care, or pay rebates to their customers. It is a basic financial measurement that the ACA uses to encourage health insurers to provide value to their customers.

The rebates can be issued in a few ways, some of which include:

- Passing along MLR rebates directly to employees
- Applying the rebates to future premiums
- Applying the rebates to benefit enhancements

#### **Impact on Your Payroll**

When employers pass any portion of the rebates along to employees, the rebates must be counted as payroll for the purposes of workers' compensation. This rule only applies if the rebate is coming through the employer and not directly from the insurance provider. The rule also applies regardless of whether the rebate distribution is taxable or nontaxable.

According to government data, the average rebate paid in 2013 for 2012 premiums was less than \$100 per family. For many employers, that amount of money will not significantly impact payroll due to rebates. But some states, such as Massachusetts and Washington, had rebates as high as \$500, which could easily affect your payroll. Your workers' compensation insurance premium is calculated based on your payroll, so if that increases, your premium likely will, too.

Here are a few more points to remember when issuing the rebates:

- High-dollar rebates may be rare, but you should still be aware of their increased impact on your premium if you receive them.
- Ensure that any information that is pertinent to your insurance coverages is up-to-date and thorough. Per the National Council on Compensation Insurance (NCCI), "an employer is

required to keep records of information needed to compute [its] premium. In addition, the employer must provide records to the carrier, when requested, for the purpose of auditing the employer's workers' compensation policy."

The relationship between the ACA and workers' compensation is more complex than ever and still evolving. East Coast Risk Management can help you determine how to handle your health insurance rebates and keep you in the know with new information.