

Notice of Health Insurance Premium Rebate
(subscriber enrolled in a group when the group gets the check)

July 2012

Susan Subscriber
123 Main Street
Philadelphia, PA, 19103

Re: Health Insurance Premium Refund for Year 2011; Policy # 9879872

Dear Susan Subscriber:

This letter is to inform you that Keystone Health Plan East will be rebating a portion of your health insurance premiums through your employer or group policy holder. This rebate is required by the Affordable Care Act – the health reform law.

The Affordable Care Act requires Keystone Health Plan East to rebate part of the premiums it received if it does not spend at least 85% of the premiums Keystone Health Plan East receives on health care services, such as doctors and hospital bills, and activities to improve health care quality, such as efforts to improve patient safety. No more than 15% of premiums may be spent on administrative costs such as salaries, sales, and advertising. This is referred to as the “Medical Loss Ratio” standard or the 85/15 rule. The 85/15 rule in the Affordable Care Act is intended to ensure that consumers get value for their health care dollars. You can learn more about the 85/15 rule and other provisions of the health reform law at:

<http://www.healthcare.gov/law/features/costs/value-for-premium/index.html>.

What the Medical Loss Ratio Rule Means to You

The Medical Loss Ratio rule is calculated on a State by State basis. In Pennsylvania, Keystone Health Plan East did not meet the 85/15 standard. In 2011, Keystone Health Plan East spent only 83.5% of a total of \$1,187,706,398 in premium dollars on health care and activities to improve health care quality. Since it missed the 85% target by 1.5% of premium it receives, Keystone Health Plan East must rebate 1.5% of the total health insurance premiums paid by the employer and employees in your group health plan. We are required to send this rebate to your employer or group policyholder by August 1, 2012, or apply this rebate to the health insurance premium that is due on or after August 1, 2012. Employers or group policyholders must follow certain rules for distributing the rebate to you.

Ways in Which an Employer Can Distribute the Rebate

If your group health plan is a non-Federal governmental plan, the employer or group policyholder must distribute the rebate in one of two ways:

- Reducing premium for the upcoming year; or
- Providing a cash rebate to employees or subscribers that were covered by the health insurance on which the rebate is based.

If your group health plan is a church plan, the employer or group policyholder has agreed to distribute the portion of the rebate that is based on the total amount all of the employees contributed to the health insurance premium in one of the ways discussed in the prior paragraph.

If your group health plan is not a governmental plan or a church plan, it likely is subject to the Federal Employee Retirement Income Security Act of 1974 (ERISA). Under ERISA, the employer or the administrator of the group health plan may have fiduciary responsibilities regarding use of the Medical Loss Ratio rebates. Some or all of the rebate may be an asset of the plan, which must be used for the benefit of the employees covered by the policy. Employees or subscribers should contact the employer or group policyholder directly for information on how the rebate will be used. For general information about your rights regarding the rebate, you may contact the Department of Labor's Employee Benefits Security Administration at 1-866-444-EBSA (3272) or review the Department's technical guidance on this issue on its web site at <http://www.dol.gov/ebsa/newsroom/tr11-04.html>.

Need more information?

If you have any questions about the Medical Loss Ratio and your health insurance coverage, please contact Keystone Health Plan East toll-free at 1-888-745-2314 or http://www.ibx.com/health_care_reform/index.html

Contact your employer or Administrator directly for information on how the rebate will be distributed. For general information about your rights regarding the rebate if your group health plan is subject to ERISA, you may contact the Department of Labor's Employee Benefits Security Administration at 1-866-444-EBSA (3272) or review the Department's technical guidance on this issue on its web site at <http://www.dol.gov/ebsa/newsroom/tr11-04.html>.

Sincerely,



Linda Taylor
SVP & Chief Sales and Marketing Executive
Keystone Health Plan East