MEMORANDUM

TO: JUDIE ZIMOMRA, CITY MANAGER

FROM: JIM ISOM, ADMINISTRATIVE SERVICES DIRECTOR

DATE: SEPTEMBER 24, 2012

SUBJECT: AFFORDABLE CARE ACT MEDICAL LOSS RATIO REBATE

The Affordable Care Act requires healthcare providers to rebate part of the premiums they receive if the healthcare providers do not spend at least 85% of the premiums on health care services, such as doctors and hospital bills and activities to improve healthcare quality. No more than 15% of premiums received by healthcare providers may be spent on administrative costs such as salaries, sales, advertising, etc. This is referred to as the "Medical Loss Ratio" standard or 85/15 rule.

The Medical Loss Ratio rule is calculated on a state by state basis. In Florida, United Healthcare, our carrier for calendar year 2011, did not meet the 85/15 rule as only 84% of $973,161,200.18 in premium dollars was spent on healthcare activities. Therefore, 1% of the premiums paid by the City has been returned. The City received 3 rebate checks based on the 3 plans we offer City employees: $1,663.01 for the cafeteria plan; $11,455.56 for the Choice plan; and $973.18 for the Choice Plus plan.

Rules have been established for the distribution of the rebate checks as well. Distribution is based on the percentage of employer versus employee contribution. The rebate distribution for City employees will apply only to those employees who cover dependents under healthcare as the City pays the full premium for employee only enrollment. The employee's percentage of contribution may be distributed in one of 3 ways at the discretion of the employer:

1. Reduce the employee's portion of healthcare costs for the new policy year for all employees enrolled under any City healthcare plan;
2. Reduce the employee's portion of healthcare costs for the new policy year based on enrollment by healthcare plan on which the rebate is based; and
3. Provide a cash refund only to employees enrolled in the healthcare plan on which the rebate is based.

Since the rebate checks were based on 3 different healthcare plans with different costs to employees based on their specific enrollment category and plan, it is recommended that the City distribute the employee's portion of the rebate based on enrollment in the plan on which the rebate is based to reduce employees' healthcare costs for the new policy year.

CITY OF SANIBEL
*** CUSTOMER RECEIPT ***

Batch ID: DJS 7/31/12 14 Receipt no: 1220425

Type	SvcCd	Description	Amount
MI		MISC REVENUE GEN FUND	
	Qty	1.00	$1663.01

OTHER MISC REVENUES 00100003690100
UNITED HEALTH CARE
POLICY #08M6861

Tender detail

CK Ref#:	79075	$1663.01
Total tendered:		$1663.01
Total payment:		$1663.01

Trans date: 7/30/12 Time: 9:51:46

THANK-YOU FOR YOUR PAYMENT

UnitedHealthcare Insurance Company
MLR OPERATIONS
PO BOX 30519
SALT LAKE CITY, UT 84130

202LREBA1A0047001
CITY OF SANIBEL
800 DUNLOP ROAD
SANIBEL, FL 33957

Group Information

Group Name:	CITY OF SANIBEL
Group No:	08M6861
Check No:	00079075
Check Amount:	$1,663.01

Questions? Learn more about MLR refunds.
Visit: www.uhc.com/reform
Call: 1-866-802-8602

Please keep this document for your records.

Re: Health Insurance Premium Rebate for Year 2011; Policy #08M6861 Balanced Cafeteria Benefits
Dear CITY OF SANIBEL:

Your 2011 medical loss ratio (MLR) premium rebate check is attached below. Enclosed you will find a letter that the federal government required be sent to you explaining why you have received this rebate. We've drafted and included a set of Frequently Asked Questions to provide you more information.

202LREBA1A0047002

Notice of Health Insurance Premium Rebate

July 19, 2012

CITY OF SANIBEL
800 DUNLOP ROAD
SANIBEL, FL 33957

Re: Health Insurance Premium Rebate for Year 2011; Policy #08M6861

Dear CITY OF SANIBEL:

This letter is to inform you that UnitedHealthcare Insurance Company 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 UnitedHealthcare Insurance Company to rebate part of the premiums it received if it does not spend at least 85 percent of the premiums UnitedHealthcare Insurance Company 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 percent 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 your State, UnitedHealthcare Insurance Company did not meet the 85/15 standard. In 2011, UnitedHealthcare Insurance Company spent only 84% of a total of $973,161,200.18 in premium dollars on health care and activities to improve health care quality. Since it missed the 85 percent target by 1% of premium it receives, UnitedHealthcare Insurance Company must rebate 1% 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.

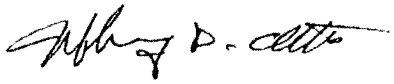
If your group health plan is not a governmental plan or a church plan, it likely is subject to the Federal Employee Retirement Income Security Act of 1974 (ERISA). Under ERISA, the employer or the administrator of the group health plan may have fiduciary responsibilities regarding use of the Medical 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 UnitedHealthcare Insurance Company toll-free at 1-866-802-8602 or http://uhc.com/reform

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,



Jeffrey Donald Alter, President
UnitedHealthcare Insurance Company

CITY OF SANIBEL
*** CUSTOMER RECEIPT ***

Batch ID: DJS 7/31/12 14 Receipt no: 1220426

Type	SvcCd	Description	Amount
MI		MISC REVENUE GEN FUND	
	Qty	1.00	$11455.56

OTHER MISC REVENUES 00100003690100
UNITED HEALTH CARE
POLICY #09H1760

Tender detail

CK Ref#:	79318	$11455.56
Total tendered:		$11455.56
Total payment:		$11455.56

Trans date: 7/30/12 Time: 9:54:20

THANK-YOU FOR YOUR PAYMENT

UnitedHealthcare Insurance Company
MLR OPERATIONS
PO BOX 30519
SALT LAKE CITY, UT 84130

202LREBA1A0086001
CITY OF SANIBEL
800 DUNLOP ROAD
SANIBEL, FL 33957

Group Information

Group Name:	CITY OF SANIBEL
Group No:	09H1760
Check No:	00079318
Check Amount:	$11,455.56

Questions? Learn more about MLR refunds.
Visit: www.uhc.com/reform
Call: 1-866-802-8602

Please keep this document for your records.

Re: Health Insurance Premium Rebate for Year 2011; Policy #09H1760 Choice

Dear CITY OF SANIBEL:

Your 2011 medical loss ratio (MLR) premium rebate check is attached below. Enclosed you will find a letter that the federal government required be sent to you explaining why you have received this rebate. We've drafted and included a set of Frequently Asked Questions to provide you more information.

202LREBA1A0086002

Notice of Health Insurance Premium Rebate

July 19, 2012

CITY OF SANIBEL
800 DUNLOP ROAD
SANIBEL, FL 33957

Re: Health Insurance Premium Rebate for Year 2011; Policy #09H1760

Dear CITY OF SANIBEL:

This letter is to inform you that UnitedHealthcare Insurance Company 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 UnitedHealthcare Insurance Company to rebate part of the premiums it received if it does not spend at least 85 percent of the premiums UnitedHealthcare Insurance Company 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 percent 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 your State, UnitedHealthcare Insurance Company did not meet the 85/15 standard. In 2011, UnitedHealthcare Insurance Company spent only 84% of a total of $973,161,200.18 in premium dollars on health care and activities to improve health care quality. Since it missed the 85 percent target by 1% of premium it receives, UnitedHealthcare Insurance Company must rebate 1% 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?

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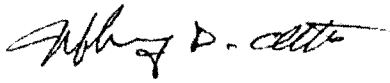
Contact your employer or Administrator directly for information on how the rebate will be distributed. For general information about your rights regarding the rebate if your group health plan is subject to ERISA, you may contact the Department of Labor's Employee Benefits Security Administration at 1-866-444-EBSA (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,



Jeffrey Donald Alter, President
UnitedHealthcare Insurance Company

CITY OF SANIBEL
R E P R I N T
*** CUSTOMER RECEIPT ***

Batch ID: DJS 7/31/12 14 Receipt no: 1220424

Type	SvcCd	Description	Amount
MI		MISC REVENUE GEN FUND	
	Qty	1.00	$973.18

OTHER MISC REVENUES 00100003690100
UNITED HEALTH CARE
POLICY #09H1765

Tender detail
CK Ref#: 78078 $973.18
Total tendered: $973.18
Total payment: $973.18

Trans date: 7/30/12 Time: 9:49:04

THANK-YOU FOR YOUR PAYMENT

UnitedHealthcare Insurance Company
MLR OPERATIONS
PO BOX 30519
SALT LAKE CITY, UT 84130

RECEIVED BY
12 JUL 26 AM 10: 34
FINANCE DEPARTMENT
CITY OF SANIBEL

202LREBA1A0180901
CITY OF SANIBEL
800 DUNLOP ROAD
SANIBEL, FL 33957

Group Information

Group Name:	CITY OF SANIBEL
Group No:	09H1765
Check No:	00078078
Check Amount:	$973.18

Questions? Learn more about MLR refunds.
Visit: www.uhc.com/reform
Call: 1-866-802-8602

Please keep this document for your records.

Re: Health Insurance Premium Rebate for Year 2011; Policy #09H1765 Choice Plus
Dear CITY OF SANIBEL:

Your 2011 medical loss ratio (MLR) premium rebate check is attached below. Enclosed you will find a letter that the federal government required be sent to you explaining why you have received this rebate. We've drafted and included a set of Frequently Asked Questions to provide you more information.

202LREBA1A0180902

Notice of Health Insurance Premium Rebate

July 19, 2012

CITY OF SANIBEL
800 DUNLOP ROAD
SANIBEL, FL 33957

Re: Health Insurance Premium Rebate for Year 2011; Policy #09H1765

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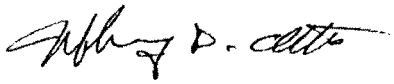
Sincerely,



Jeffrey Donald Alter, President
UnitedHealthcare Insurance Company