



**Understanding the
Medical Loss Ratio (MLR)
Tim McNeill, RN, MPH**

Agenda

1. What is the MLR
2. Who does the MLR apply to
3. How to analyze MLR reports
4. How to use MLR data in contracting



What is the Medical Loss Ratio



- The Affordable Care Act (ACA) requires health insurance issuers to submit data on the proportion of revenues spent on clinical services and quality improvement activities
- This ratio Health Insurance Plan income as compared to expenses is the Medical Loss Ratio
- ACA requires health plans to issue rebates to enrollees if they do not meet the minimum MLR standard
 - **80% or 85% depending on the size and type of plan**

Who does the MLR apply to?

- All Commercial Health Insurance plans
- Medicare Advantage Plans
 - **MLR Requirement 85% regardless of size**
- Medicare Part D Plans
 - **MLR Requirement 85% regardless of size**



What is a MA Plan?



- Medicare Advantage
- Sometimes called “Part C” or “MA Plans”
- Medicare Advantage plans are required to cover all Medicare Part A and Part B benefits
- When a beneficiary elects Medicare Part C (Medicare Advantage) they have elected to have their Part A and Part B benefits managed by a Private Health Insurance plan that is approved by CMS to operate a Medicare Advantage Plan

Key Concept



- Four Parts of Medicare
 - Part A
 - Inpatient hospital, SNF, Home Health, Hospice
 - Part B
 - Doctor services, office visits, emergency care, ambulance services
 - Part C
 - Medicare Advantage
 - Part D
 - Prescription Benefit

Medicare Advantage Enrollment

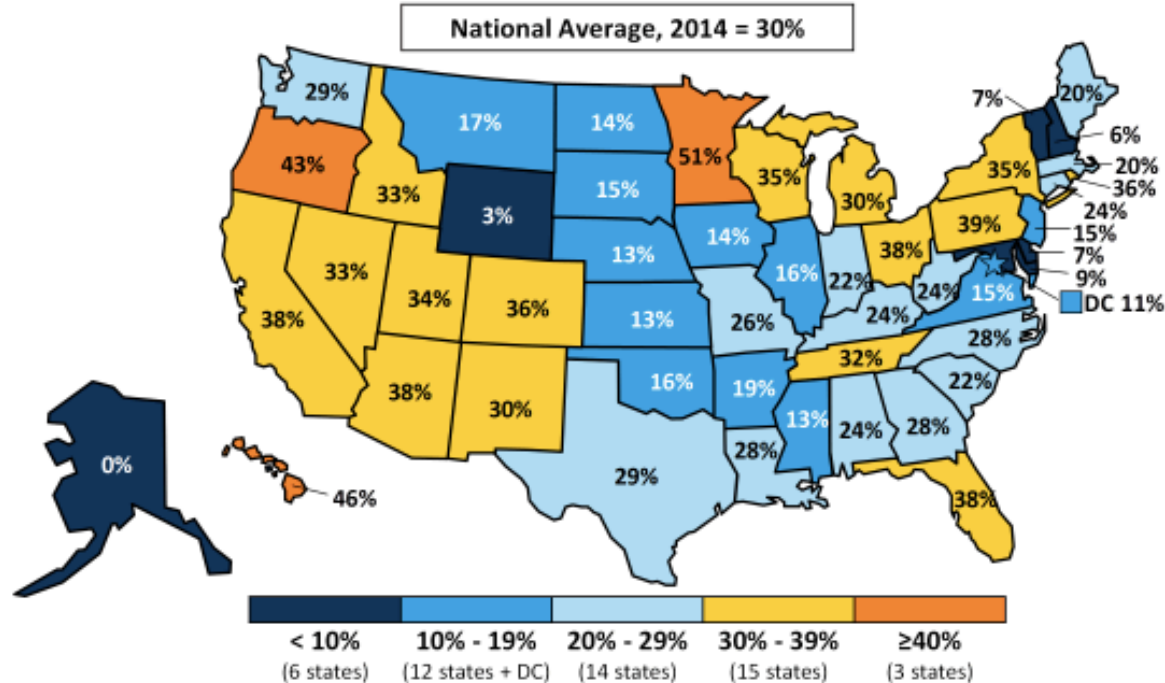
- Kaiser Family Foundation Report (Jan, 2015)
- In 2014, the majority of the 54 million people on Medicare are in the traditional Medicare program
- 30% are enrolled in a Medicare Advantage Plan
 - There has been consistent growth in the number of Medicare Advantage enrollees over time
 - Enrollment in Medicare Advantage varies by State and Markets within a State

MA Plan Enrollment Map



Exhibit 2

Share of Medicare Beneficiaries Enrolled in Medicare Advantage Plans, by State, 2014



NOTE: Includes MSAs, cost plans and demonstrations. Includes Special Needs Plans as well as other Medicare Advantage plans.
 SOURCE: MPR/Kaiser Family Foundation analysis of CMS State/County Market Penetration Files, 2014.



Exhibit 2. Share of Medicare Beneficiaries Enrolled in Medicare Advantage Plans, by State, 2014

Determining MA Enrollment in your area



- Administration for Community Living, Center for Disability and Aging Policy (CDAP) has two tip sheets to assist programs with determining the number of Original Medicare and Medicare Advantage enrollees in each County and some Territories in the U.S.
 - **Medicare Advantage Penetration Analysis Tip Sheet**
 - http://www.acl.gov/Programs/CDAP/BusinessAcumen/docs/MA_Penetration_Analysis_Tip_Sheet_Final.pdf
 - **Medicare Advantage Plan Enrollment –Top Five Plans**
 - http://www.acl.gov/Programs/CDAP/BusinessAcumen/docs/MA_Plan_Enrollment_Analysis_Tip_Sheet_Final.pdf

Medicare Advantage Payments



- Medicare pays Medicare Advantage plans a capitated (per enrollee) amount to provide all Part A and Part B benefits.
- Medicare makes a separate payment to plans for providing prescription drug benefits under Medicare Part D.
- Under the BBA of 1997 Medicare pays 95% of average traditional Medicare costs in each county

Part C Health Plan Premiums



- Medicare Advantage plans received a risk-adjusted capitated payment amount
- Each Medicare Advantage plan must manage their “Risk” and cover the cost of all Medicare Part A and Part B benefits required by their enrollees with the premium payments collected

Hierarchical Condition Category (HCC) Methodology



- CMS-HCC model includes both diseases and demographic factors
- Clinical diagnostic information must be gathered and submitted electronically to the MA plan in order for them to submit the data to CMS to obtain the appropriate risk adjustment
- Failure to properly document services and the need for additional services results in the plan and the provider obtaining less than they are owed

Medical Loss Ratio (MLR)



- The Affordable Care Act requires all health insurance plans to submit data on their revenue and expenses
 - Applies to all commercial insurance plans
 - Beginning January 1, 2014, applies to all Medicare Advantage (Part C) and Part D plans

MLR Calculation



- MLR Equation Numerator: includes all health care paid claims along with any quality improvement activity (QIA).

$$\frac{\text{Claims} + \text{QIA}}{\text{Premium} - \text{Allowable Deductions}} = \text{MLR}$$

Quality Improvement Activities



- Can be included in the MLR Numerator calculation
- Must stand up to audit
- Designed to improve health quality
- Designed to increase the likelihood of desired health outcomes in ways that can be objectively measured and can produce verifiable results

Quality Improvement Activities Defined



- Medication Therapy Management
- Improve health outcomes, including
 - increase likelihood of desired outcomes vs. baseline
 - reduce health disparities in specified populations
- Prevent hospital readmissions
- Improve patient safety
 - reduce medical errors
 - lower infection and mortality rates
- Increase wellness and promote health activities
- Enhance use of health care data to improve quality, transparency, and outcomes

MLR Requirements



- Commercial Plans (began January 1, 2011)
 - 80% for individual and small group plans*
 - 85% for the large group market
 - Medicare Advantage (began January 1, 2014)
 - 85% for all MA plans
 - Medicare Part D (began January 1, 2014)
 - 85% for all Part D plans
- * ACA defines small group plan as having 1 – 100 average total number of employees (ATNE).

Penalties for MLR Non-Compliance



- Commercial Plans
 - Must submit a pro-rated rebate to all enrollees in the amount equal to the difference between actual MLR and the required MLR per statute.
- MA's and Part D Plans
 - Starting with the 1st year of non-compliance:
 - Must send the rebate to CMS
 - Non-compliant for three (3) consecutive years:
 - Prohibition of new enrollments
 - Non-compliant for five (5) consecutive years
 - Termination of CMS contract

Medical Loss Ratio Tip Sheet



- ACL, Center for Integrated Programs (CIP) has a detailed tip sheet explaining the MLR program available at the following link:
 - Medical Loss Ratio tip sheet
(http://www.acl.gov/Programs/CDAP/BusinessAccumens/docs/Medical_Loss_Ratio_Tip_Sheet_Final.pdf
f)

Medicare Advantage Prevention and Health Improvement Incentives



- CY2015 Final Rule expands rewards and incentive program that focus on encouraging participation in activities that improve health, efficient use of health care resources and prevent injuries and/or illness
- Allows MA plans to pay a reward to participants as an incentive to participate in defined preventive health programs

MA Plan Rewards and Incentive Program example



- MA Plan identified all of their members with a diagnosis of diabetes
 - Notifies those beneficiaries that if they participate and complete a diabetes self-management training program, provided by a DSMT program in the MA network
 - MA plan authorized to pay \$75 to each member that completes the DSMT class
 - MA plan still obligated to pay the network DSMT provider for providing the class, based on contracted rate
 - Incentive increases participation in EB-DSMT program

Prevention and Wellness Activities



- Prevention and Wellness activities benefits for a MA plan
 - Expenses apply to the MLR
 - Preventive health activities reduce the likelihood of high-cost disease complications that increase the MLR above the 85% threshold
 - Unpredictable disease complications can dramatically raise the MLR amount far above allowable limits
 - Plans with high MLR have reduced profitability
 - Ex. MA plan with a 91% MLR increased premiums for 2015 by 40% resulting in member dis-satisfaction and member disenrollment

Where Do I Find MLR Data?



- The Centers for Medicare & Medicaid Services – CMS
 - The Center For Consumer Information & Insurance Oversight
 - <http://www.cms.gov/apps/mlr/mlr-search.aspx>
- Insurers must report each year showing how much money was spent on health care and activities to improve care in the past year
- Reports are due by June 1 of the following year
 - June 1 2015 was the deadline for reporting all expenses for Performance Year (PY) 2014
- Reporting is done by State and for markets within a State
 - If a Plan operates in multiple States, you will have to look up their performance specific to that particular State

MLR Search Tool Site



- <http://www.cms.gov/apps/mlr/mlr-search.aspx>

The screenshot shows the CMS website interface. At the top, there is a navigation bar with the U.S. Department of Health & Human Services logo and the URL www.hhs.gov. Below this is the CMS logo and the text "Centers for Medicare & Medicaid Services". A search bar is visible on the right side of the navigation bar. The main content area features the CCIIO logo and the text "The Center for Consumer Information & Insurance Oversight". On the left side, there is a sidebar with a "Programs and Initiatives" section containing links for "Consumer Support and Information", "Health Insurance Market Reforms", "Health Insurance Marketplaces", "Insurance Programs", "Other Insurance Protections", and "Premium Stabilization Programs". Below this is a "Resources" section with a link for "About Us". The main content area is titled "Medical Loss Ratio" and contains a list of bullet points describing the requirements of the Affordable Care Act regarding MLR. Below the list, there is a paragraph explaining how to use the search tool. A note states that the search tool only lists results for insurers that have submitted an MLR report. The page is titled "Step 1 – Reporting Year and State Selection" and includes a paragraph instructing users to use a list to select an applicable Reporting Year and one or more states and/or territories.

U.S. Department of Health & Human Services www.hhs.gov

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CCIIO The Center for Consumer Information & Insurance Oversight

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- Consumer Support and Information
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- Insurance Programs
- Other Insurance Protections
- Premium Stabilization Programs

Resources

- About Us

Medical Loss Ratio

- The Affordable Care Act requires health insurance issuers to submit data on the proportion of premium revenues spent on clinical services and quality improvement, also known as the Medical Loss Ratio (MLR). It also requires them to issue rebates to enrollees if this percentage does not meet minimum standards. MLR requires insurance companies to spend at least 80% or 85% of premium dollars on medical care, with the review provisions imposing tighter limits on health insurance rate increases. If they fail to meet these standards, the insurance companies will be required to provide a rebate to their customers starting in 2012.
- Insurers must submit a report each year to the Department of Health and Human Services (HHS) showing how much the insurer spent on health care and activities that improve care in the past year. Each year's report is due by June 1 of the following year. For example, an insurer must submit its yearly report for 2011 by June 1, 2012. [Learn more about Medical Loss Ratio.](#)
- Each insurer's Medical Loss Ratio information is provided separately for each state and, within each state, by market (individual, small group and large group markets). It is not provided by a particular plan, product, or policy.

Use the search tool below to find an insurer's Medical Loss Ratio report for an applicable Reporting Year. To get started, select a state. If you select only one state, you may either enter the name of a company you wish to see or you may click the Search button without entering the name of an insurance company. If you select only one state and you click the Search button without entering the name of an insurance company, the results will list the MLR reports of all of the companies that submitted an MLR report for that state. If you select more than one state or territory, you must enter the name of a company. The MLR reports will be listed with a link to a ZIP file that you may download. The ZIP file for each company contains a separate Excel document for every state that the company does business in, even if you selected a single state in the search tool.

Note: the search tool only lists results for insurers that have submitted an MLR report.

Step 1 – Reporting Year and State Selection

Please use the following list to select an applicable Reporting Year, and one or more states and/or territories. You must select a Reporting Year and at least one state and/or territory.

Select a Reporting Year/State



<http://www.cms.gov/apps/mlr/mlr-search.aspx> - /?state=MD&reporting_year=2013

Step 1 – Reporting Year and State Selection

Please use the following list to select an applicable Reporting Year, and one or more states and/or territories. You must select a Reporting Year and at least one state and/or territory.

Note: You may select one or more state(s) and/or territories by holding the CTRL key and selecting with the mouse. Keyboard only users may select one or more state(s) and/or territories by holding the SHIFT key and using the appropriate arrow keys on the keyboard.

An asterisk (*) indicates a required field

*Reporting Year:

*State and Territories:

- Louisiana
- Maine
- Maryland
- Massachusetts
- Michigan
- Minnesota
- Mississippi

Step 2 – Search Results

Showing 1 to 8 of 8 entries

Company Name	Attestation Date	Download file
American Republic Insurance Company	5/30/2014	Select to Download ZIP File (6.9 MB)
BCS Insurance Company	5/29/2014	Select to Download ZIP File (10.3 MB)
CareFirst BlueChoice, Inc.	5/29/2014	Select to Download ZIP File (994.4 KB)
Globe Life and Accident Insurance Co	5/27/2014	Select to Download ZIP File (9.8 MB)
Knights of Columbus	5/30/2014	Select to Download ZIP File (4.6 MB)
Liberty Mutual Insurance Company	6/17/2014	Select to Download ZIP File (6.2 MB)

Open the relevant file

Please use the following list to select an applicable Reporting Year, and one or more states and/or territories. You must select a Reporting Year and at least one state and/or territory.

Note: You may select one or more state(s) and/or territories by holding the CTRL key and selecting with the mouse. Keyboard only users may select one or more state(s) and/or territories by holding the SHIFT key and using the appropriate arrow keys on the keyboard.

An asterisk (*) indicates a required field

*Reporting Year:

*State and Territories:

Louisiana
Maine
Maryland
Massachusetts
Michigan
Minnesota
Mississippi

B

Search

Step 2 – Search Results





Showing 1 to 8 of 8 entries

Company Name	Attestation Date	Download file
American Republic Insurance Company	5/30/2014	Select to Download ZIP File (6.9 MB)
BCS Insurance Company	5/29/2014	Select to Download ZIP File (10.3 MB)
CareFirst BlueChoice, Inc.	5/29/2014	Select to Download ZIP File (994.4 KB)
Globe Life and Accident Insurance Co	5/27/2014	Select to Download ZIP File (9.8 MB)
Knights of Columbus	5/30/2014	Select to Download ZIP File (4.6 MB)

Select the State File



- If Applicable, select the State within the Zip file that you would like to reference
- file://localhost/Users/timmcneill/Desktop/MLR2013_CareFirst_BlueChoice/MLR_Template_MarylandBC2013_Values.xls

-  MLR_Template_District_of_ColumbiaBC2013_Values.xls
-  MLR_Template_Grand_TotalBC2013_Values.xls
-  MLR_Template_MarylandBC2013_Values.xls
-  MLR_Template_VirginiaBC2013_Values.xls

Locked Excel File



- Upon Selection of the relevant file, you will open a locked Excel File

Department of Health and Human Services 2013 Medical Loss Ratio Reporting Form Part 1 - Summary of Data										
Group Affiliation: CAREFIRST INC GRP				Federal EIN : 521358219				Federal Tax Exempt No		
Company Name: CareFirst BlueChoice, Inc.				A.M. Best Number: 088605				Merge Markets - Ind/SmGrp No		
DBA / Marketing Name: CareFirst BlueChoice, Inc.				NAIC Group Code: 00380				Issuer ID: 28137		
Address: 840 First Street NE Washington, DC 20065				NAIC Company Code: 96202				Business in the State of: Maryland		
								Not-For-Profit No		
								Domiciliary State: District of Columbia		
								MLR Reporting Year: 2013		
Part 1 NOTE: REFER TO MLR INSTRUCTIONS, FORMULAS RESOURCE AND TABLES RESOURCE FOR IMPORTANT INFORMATION ABOUT COMPLETING EACH COLUMN AND ROW.										
		NAIC Supp. Health Care Exhibit Line	Total as of 12/31/13 1	Total as of 3/31/14 2	Dual Contract (Included in 3/31/14) 3	Deferred PY1 (Add) 4	Deferred CY (Subtract) 5	Total as of 12/31/13 6	Total as of 3/31/14 7	Dual Contract 8
1.	Premium									
1.1	Total direct premium earned	Pt 1, Ln 1.1	\$ 81,299,364	\$ 81,299,364	\$ -	\$ -	\$ -	\$ 774,220,460	\$ 774,220,460	\$ -
1.2	Federal high risk pools	Pt 1, Ln 1.2								
1.3	State high risk pools	Pt 1, Ln 1.3								
1.4	Net assumed less ceded reinsurance premium earned (exclude amounts already reported in Line 1.1)	Pt 1, Ln 1.9	\$ -					\$ -		
1.5	Other adjustments due to MLR calculations - premium	Pt 1, Ln 1.10	\$ 1,480,000					\$ 499,937		
1.6	Risk revenue	Pt 1, Ln 1.11								
2.	Claims									
2.1	Total incurred claims (MLR Form Part 2, Line 2.16)	Pt 1, Ln 5.0	\$ 74,653,713	\$ 74,409,515	\$ -	\$ -	\$ -	\$ 593,072,714	\$ 595,120,947	\$ -
2.2	Prescription drugs (informational only; already included in total incurred claims above)	Pt 1, Ln 2.2	\$ 10,343,066	\$ 10,343,066				\$ 138,058,495	\$ 138,058,495	
2.3	Pharmaceutical rebates (informational only; already excluded from total incurred claims above)	Pt 1, Ln 2.3	\$ 536,843	\$ 536,843				\$ 7,411,904	\$ 7,411,904	
2.4	State stop loss, market stabilization and claim/census based assessments (informational only; already excluded from total incurred claims above)	Pt 1, Ln 2.4	\$ -	\$ -				\$ -	\$ -	
2.5	Net assumed less ceded claims incurred (exclude amounts already reported in Line 2.1)	Pt 1, Ln 5.1	\$ -					\$ -		
2.6	Other adjustments due to MLR calculations - claims incurred	Pt 1, Ln 5.2	\$ -					\$ -		
2.7	Rebates paid	Pt 1, Ln 5.3	\$ -					\$ -		
2.8	Estimated rebates unpaid at the end of the previous MLR reporting year	Pt 1, Ln 5.4	\$ -					\$ -		
2.9	Estimated rebates unpaid at the end of the MLR reporting year	Pt 1, Ln 5.5	\$ -					\$ -		
2.10	Fee-for-service and co-pay revenue (net of expenses)	Pt 1, Ln 5.6	\$ -					\$ -		
2.11	Allowable fraud reduction expenses (MLR Form Part 2, Line 2.17)	Pt 1, Ln 4	\$ 9,021	\$ 9,021	\$ -	\$ -	\$ -	\$ 72,805	\$ 72,805	\$ -
3.	Federal and State Taxes and Licensing or Regulatory Fees									
3.1	Federal taxes and assessments incurred by the reporting issuer during the MLR reporting year	Pt 1, Ln 1.5								
3.1 a	Federal income taxes deductible from premium in MLR calculations		\$ (2,004,234)	\$ (2,004,234)				\$ 5,030,871	\$ 5,030,871	
3.1 b	Patient Centered Outcomes Research Institute (PCORI) Fee		\$ 57,801	\$ 57,801				\$ 374,355	\$ 374,355	
3.1 c	Other Federal Taxes (other than income tax) and assessments deductible from premium		\$ 356,448	\$ 356,448				\$ 1,939,975	\$ 1,939,975	
3.2	State insurance, premium and other taxes incurred by the reporting issuer during the MLR reporting year (deductible from premium in MLR calculation)	Pt 1, Ln 1.6								

DC vs MD for the Same Insurer



– Maryland

- file:///localhost/Users/timmcneill/Desktop/MLR2013_Care_First_BlueChoice/MLR_Template_MarylandBC2013_Values.xls

– District of Columbia

- file:///localhost/Users/timmcneill/Desktop/MLR2013_Care_First_BlueChoice/MLR_Template_District_of_ColumbiaBC2013_Values.xls

MA Plan Opportunity



- Providers that can support the following items bring value to a MA plan
 - Increase accuracy of HCC risk adjustment data
 - Increase access and utilization of prevention and wellness activities
 - Apply the cost of care of wellness and prevention activities to the MLR
 - Provide initiatives that reduce cost of care, such as readmission reduction programs, and electronically document and transmit the data to the health plan for a risk adjustment

Questions



- Tim McNeill, RN, MPH
- ACL/AoA Consultant
 - Phone: (202) 344-5465
 - E-mail: tmcneill@me.com