



MEDICAL LOSS RATIO

What are the minimum medical loss ratio (MLR) requirements?

Under the health care reform law, health insurers have to spend at least 80 percent (for individual and small group) or 85 percent (for large group) of their policy premiums in a given state on claims. If their medical loss ratio (claims over premiums) is less than the required percentage, the difference has to be paid to individual and group policyholders as a rebate.

Rebates will be based on the MLR for a group of policies known as a "block" or "cell." A block is defined by:

- Segment: Individual, small group or large group
- Company: The legal entity issuing the coverage, and
- State: The state where the policy was issued

Limited medical plans and plans covering expatriates have a different formula for calculating the medical loss ratio due to the unique features of these plans.