

Federal Employees Health Benefits (FEHB) Carrier Medical Loss Ratio (MLR)

FastFacts

*** Are there new regulations that apply to community-rated plans?** Yes, OPM has issued an interim final regulation amending the Federal FEHB regulations that apply to community rated carriers.

*** What is the purpose of the interim final regulation?** The interim final rule replaces the current SSSG methodology with a more modern and transparent calculation while still ensuring that the FEHB is receiving a fair rate. The new methodology is called the Medical Loss Ratio. It will result in a more streamlined process for plans and increased competition and plan choice for enrollees. The MLR regulation can be found here: http://www.opm.gov/carrier/carrier_letters/2011/2011-15attachment1.pdf

*** What are Similarly Sized Subscriber Groups (SSSGs)?** SSSGs are a comprehensive medical plan's employer group that has a subscriber enrollment base closest in size to the Federal Employees Health Benefits (FEHB) Program subscriber enrollment. Prior to the interim final regulation, the FEHB Program must receive a rate at least as favorable as the rate given to the two SSSGs.

*** What is the Medical Loss Ratio?** The MLR is the percentage of premiums that a health insurance carrier spends on medical services or the ratio of how much of the

premium the carrier spends on medical services. The ratio is calculated by the following formula: **Claims / Premium**

*** Are all FEHB Plans required to use the MLR?** Beginning in 2013, the FEHB Program will require community-rated carriers to meet an FEHB medical loss ratio (MLR) target. However, this does not apply to carriers that are required by their state to use Traditional Community Rating. TCR plans will continue to use SSSG methodology.

*** How are FEHB plans required to build their rate?** FEHB plans are required to build the rate for FEHB in accordance with their documented community rating methodology. FEHB plans will be required to provide this documentation to the Office of the Actuaries and Office of the Inspector General. This requirement did not change under this MLR regulation. The 2013 Rating Guidelines will include details on the MLR calculation. OPM will send the rating guidelines to FEHB plans in April or May of 2012. Previous year guidelines can be found here:

http://www.opm.gov/carrier/carrier_letters/2011/2011-08attachment1.pdf

For non-TCR rated plans, the SSSG language will be replaced with MLR language.

*** Who do I contact for more information?** For additional information, you can contact the Office of the Actuaries at actuary@opm.gov or 202-606-0722.