

Small Group Refund for 2019

Note: For the 2019 report year, only small employers in Horizon BCBSNJ non-HMO plans will be receiving the refund. Small employers in Horizon HMO plans met the 80% medical loss ratio requirement therefore no refunds will be payable.

Questions and answers

Below are answers to questions small employer groups may have about the 2019 state of New Jersey refunds.

Q1. Why is Horizon BCBSNJ sending premium refunds?

A1. New Jersey law requires health insurance companies to pay a refund to small employer group customers if the actual amount of claims submitted in a year is less than 80 percent of the premium dollars collected.

In other words, for every dollar of premium collected, we must pay out 80 cents in claims. If we pay out less than 80 cents for every dollar, Horizon BCBSNJ refunds the amount needed to bring the ratio to 80 percent.

Q2. How is the amount of each refund calculated?

A2. Horizon BCBSNJ compared claim payments to actual premiums collected in 2019 for small employer plans to determine if we paid 80 percent of premiums for small employer group claims. If Horizon BCBSNJ has paid out less than 80 percent of premiums on medical claims, we calculate the total amount to be refunded to small employer groups to reach the 80 percent target. Each group's refund is determined as a percentage of premiums paid.

This calculation is done separately by corporate entity, thus small employers with HMO plans (written through Horizon HMO) are calculated separately from small employers with non-HMO plans (written through Horizon BCBSNJ).

Q3. Who is eligible for this refund?

A3. Small employer groups who were enrolled with Horizon BCBSNJ in non-HMO plans are eligible for a refund because we paid less than 80% of premium for these small employer claims. Any small employer with non-HMO plans that paid premiums for coverage in 2019 are eligible for this refund, whether or not they are still enrolled with us.

Small employer groups who were enrolled with Horizon HMO are not eligible for this refund because we paid 80% or more of premium for these small employer claims.

Q4. How much of a refund is Horizon BCBSNJ required to return to its small employer groups? When will the refund checks be mailed?

A4. Horizon BCBSNJ will refund about \$27.7 million to its small employer groups with Horizon BCBSNJ non-HMO coverage. We are sending checks to these small employer groups on or about **September 18, 2020 and we expect that all checks will be received no later than September 30, 2020.**

Q5. Will small employer groups receive a refund each year?

A5. Not necessarily. We will perform the same analysis for 2020 as we did for 2019. If Horizon BCBSNJ does not pay out 80 percent of premiums received on medical claims for each corporate entity for a particular year, we will then generate refunds for that year.

Q6. Who is getting this money?

A6. We are sending checks directly to the small employer groups who were enrolled with non-HMO coverage with us and paid premium for coverage in 2019.

Q7. Will my premium rate change as a result of this refund?

A7. The refund for the year 2019 will not change your current premium rate.

Q8. Why did the Medical Loss Ratio (MLR) for Horizon BCBSNJ non-HMO plans fall below the 80 percent MLR required by New Jersey law?

A8. There are many reasons why our MLR might fall below the required 80 percent in a given year, including:

- a. Health benefit plans and products that successfully work to contain costs;
- b. Medical costs increasing at a slower rate than anticipated.

These factors are difficult to predict a year or more in advance.

Q9. Does this mean Horizon BCBSNJ overcharged its small employer group customers?

A9. No. Horizon BCBSNJ works diligently to price its products appropriately to cover the costs of medical care and remain affordable for our customers. The task of setting premium rates is challenging because Horizon BCBSNJ, like all insurers, must predict utilization rates and medical costs more than 18 months before rates go into effect.

Q10. Are small employer groups required to share this refund with their employees?

A10. New Jersey law requires Horizon BCBSNJ to refund the premium to the small employer group. Although New Jersey law has no specific requirement about allocation of the refund between employers and employees when employees contributed to premiums there is a requirement from a federal perspective.

Q11. Is Horizon BCBSNJ also issuing refunds based on the federal MCR requirements?

A11. The federal government has a premium refund required by the Affordable Care Act, but the calculation differs from the state requirement. The federal requirement for 2019 for small employer groups with Horizon BCBSNJ non-HMO coverage reflects an amount due, however the state calculation resulted in a higher refund to be paid which is what your refund is based upon. Due to the federal notice requirement we have included with each refund check a notice that describes the ways for the employer to share the refund. This notice was also sent to the covered employees of the small group receiving a refund check. The employee should contact their employer to determine how the refund will be shared. We cannot provide guidance on how employers shared their refund check.

The federal requirement for small employers with HMO coverage was met; therefore, no federal refunds were issued for 2019.