Healthcare Law Results In Refunds To California Employers

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The Affordable Care Act, signed into law by President Obama in 2010, has various provisions that kick in starting this year. One provision requires that insurance companies spend a certain percentage of health insurance premiums on medical care for their insured instead of administrative costs. The intent is to make sure that premium increases are used to pay for medical care and not for executive salaries, shareholder dividends, or general administrative costs unrelated to patient care.

The law requires at least 80% of subscriber premiums be spent on health care costs for individual policyholders and small groups that cover 49 or fewer employees. 85% of subscriber premiums must be spent on health care costs on larger groups of 50 or more employees.

Failure to meet these spending levels triggers a rebate, payable by the health insurer to the employer or individual subscriber.

A study from the Kaiser Foundation estimates that health insurer rebates under these provisions of the Affordable Care Act will total approximately $1.3 billion in 2012, “including $426 million in the individual market, $377 million in the small group market, and $541 million in the large group market.”

United Health Group has announced that it will rebate $3.5 million to small businesses in California under the Affordable Care Act as a result of spending less on medical care than required under the new law. Checks are to be issued in July. However, the company will not rebate money to individual policyholders or large groups (50 or more employees) because spending on medical care for these subscriber segments met federal requirements.
http://ow.ly/cv2L1

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