



Dear Members,

We have good news to share with you! Before the end of September this year, Common Ground Healthcare Cooperative (CGHC) will return a portion of your 2018 health insurance premium. This letter explains why we are doing this, and answers questions you might have.

A provision in the Affordable Care Act (ACA), often referred to as Obamacare, requires health insurance companies to spend at least 80% of the individual premiums we collect each year on medical and pharmacy expenses and certain quality improvement activities. The percentage is called the Medical Loss Ratio (MLR). This ACA provision aligns well with CGHC's values as a non-profit cooperative—we strive to take in only the amount of premium we need to pay claims and maintain operations.

In 2018, the amount CGHC spent on medical and pharmacy expenses and quality improvement activities totaled less than 80% of individual premium received. As a result, you will receive a check from us. This money belongs to you, so you may cash your check and use the funds as you see fit.

**You will receive your 2018 premium rebate check by September 30, 2019.**

You can find answers to common questions about the rebate on the back of this page. Also enclosed is a notice we are required to send you with additional information about ACA provisions. If you have additional questions, please do not hesitate to call our Rebate Hotline at 833-605-0324.

We look forward to serving you in 2020!

Sincerely,

Common Ground Healthcare Cooperative



RE: Health Insurance Premium Rebate for Year 2018; [Member Policy #XXXXXXX]

This letter is to inform you that you will receive a rebate of a portion of your 2018 health insurance premiums. This rebate is required by the Affordable Care Act – the health reform law.

The Affordable Care Act requires Common Ground Healthcare Cooperative to issue a rebate to you if Common Ground Healthcare Cooperative does not spend at least 80 percent of the premiums it receives on health care services, such as doctors and hospital bills, and activities to improve health care quality, such as efforts to improve patient safety. No more than 20 percent of premiums may be spent on administrative costs such as salaries, sales and advertising. This requirement, which applies to every consecutive three-year period, is referred to as the “Medical Loss Ratio” standard or the “80/20 rule.” The 80/20 rule in the Affordable Care Act is intended to ensure that consumers get value for their health care dollars. You can learn more about the 80/20 rule and other provisions of the health reform law at: <https://www.healthcare.gov/health-care-law-protections/rate-review/>.

**What the Medical Loss Ratio Rule Means to You**

The Medical Loss Ratio rule is calculated on a three-year basis. Common Ground Healthcare Cooperative did not meet the Medical Loss Ratio standard for the 2016 - 2018 period. Between 2016 - 2018, Common Ground Healthcare Cooperative spent only 76.6% of a total of \$783,074,948 in premium dollars on health care and activities to improve health care quality. Since it missed the 80% by 3.4% of premiums received, Common Ground Healthcare Cooperative must rebate 3.4% of your 2018 health insurance premium. We are required to provide this rebate to you by September 30, 2019. We are sending a check separately from this letter.

**Need more information?**

If you have any questions about the Medical Loss Ratio and your health insurance coverage, please contact Common Ground Healthcare Cooperative toll-free at 833-605-0324 or [info@commongroundhealthcare.org](mailto:info@commongroundhealthcare.org).

Sincerely,

A handwritten signature in black ink that reads "Cathy Mahaffey".

Cathy Mahaffey  
Chief Executive Officer  
Common Ground Healthcare Cooperative



## Questions and Answers Regarding your Premium Rebate

### **Q. Why will I receive a check from Common Ground Healthcare Cooperative (CGHC)?**

A. Health insurance companies are required to send rebates under the Affordable Care Act when they do not spend 80% of the individual policyholders' premiums on medical and pharmacy costs or quality improvement expenses. In the 2018 plan year, CGHC spent less than 80% of premiums on these expenses; therefore, individual policyholders who were enrolled with us in 2018 will receive a rebate check.

### **Q. How and when will I receive the check?**

A. Checks will be mailed by September 30, 2019.

### **Q. Are rebates considered taxable income? Do I have to cash the check if it's going to mess up my taxes?**

A. We are not qualified to provide tax guidance to you. Please talk with your tax advisor to know for certain. You should explain that the check is a Medical Loss Ratio (MLR) rebate check and not a patronage capital check if you are asked. CGHC will not be sending a 1099 form to you for the rebate amount. The IRS also offers a free tax assistance hotline at 800.829.1040 or [www.IRS.gov](http://www.IRS.gov). You must ask your tax advisor or the IRS about doing something other than cashing the check. CGHC cannot answer any tax questions for you.

### **Q. Can I really cash the check?**

A. Yes, this money belongs to you.

### **Q. Are there any requirements on what I have to use the money for?**

A. No, you can cash the check and use the money for anything you see fit.

### **Q. Does the fact that rebates were paid mean that CGHC intentionally overcharged their members in 2018?**

A. No. Premiums are typically set far in advance of when they take effect. In setting prices, we project the expected cost of medical claims based on the best information we have available, and that does not perfectly predict future results.

### **Q. I don't have your health insurance any more. Should I have received a check and is it ok if I cash it?**

A. If you had our health insurance for any portion of 2018, you are eligible to receive a rebate, so yes, you may cash the check.

### **Q. How was my rebate calculated?**

A. We took the total amount of money available for rebates and then calculated the percentage owed to each policyholder based on the amount of premium they paid in 2018. The rebates are sent only to the named policyholder on the plan, not spouses or dependents.

### **Q. What is a health quality initiative?**

A. Health insurance companies may include in the MLR calculation their costs for certain quality initiatives designed to improve the health of their members. Examples may include case management services by a nurse and wellness activities (such as smoking cessation classes).

### **Q. According to the enclosed notice, I think I should get a higher rebate.**

A. The formula we used is mandated by the federal government. Neither you, nor CGHC, can change the amount.

### **Q. Could you have simply credited my account? Why did you mail checks?**

A. Not all 2018 policyholders are enrolled in our plan in 2019; therefore, we made the decision to issue checks to our members.