

Department of Accounts

Payroll Bulletin

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Rebates**

The Payroll Bulletin is published periodically to provide CIPPS agencies guidance regarding Commonwealth payroll operations. If you have any questions about the bulletin, please call Cathy McGill at (804) 371-7800 or Email at cathy.mcgill@doa.virginia.gov

State Payroll Operations

Director

Cathy McGill

Medical Loss Ratio - Rebates to Optima Health Participants

**Medical Loss
Ratio**

Under the Affordable Care Act group health plan issuers must comply with Medical Loss Ratio standards that require plans to spend at least 85% of premium cost on health care services, such as doctor and hospital bills, and activities to improve health care quality, such as efforts to improve patient safety. No more than 15% of premium cost may be spent on administrative costs such as salaries, sales, and advertising. This is referred to as the Medical Loss Ratio standard or 85/15 Rule and is intended to ensure that consumers get value for their health care dollars. In Virginia during 2020, Optima Health Care did not meet the 85/15 standard and spent only 83.4% of premium dollars on health care and activities to improve health care quality. Since it missed the 85% target by 1.6%, 1.6% must be rebated following certain rules.

**Participant
Rebate**

Group health plans maintained by non-federal government employers (like state government employers) may make a cash refund to the participants covered under the policy to which the rebate is attributable at the time the rebate is received and can divide the rebate in a manner that reasonably reflects each participant's contributions to the premium. As such, the total rebate has been divided between all Optima participants enrolled as of July 1, 2021. The total rebate equals \$216.28 per participant, but must also be broken down further by employee and employer. Since the Commonwealth of Virginia pays an average of 89% of the full-time active employee premium, and the employee pays 11%, the employer will receive \$193.29 per enrollee and the employee will receive \$22.99 (with rounding). Retirees, Survivors, LTD Participants, eligible part-time employees, and COBRA Participants will receive \$216.28, the full rebate amount to reflect 100% premium payment.

Medical Loss Ratio - Rebates to Optima Participants, continued

**General
Rebate Info**

To aid in processing the rebates through payroll, a file, "Optima Members Due MLR Rebate", will be placed in each agency's repository containing the names and employee numbers for employees entitled to the rebate. A few things to remember:

- DHRM will reimburse each agency for the total of the employee and employer rebates.
- Payments to participants must be made on December 16; therefore, agencies will need to enter the payment transactions in CIPPS for inclusion in the certification with deadline of 12/10.
- The rebate for active employees is taxable income for calendar year 2021.
- Any retiree or employee in LTD as of 7/1/2021 who participated in Optima at that time and who actively worked in your agency during 2021 will be included in your report for payment, but will reflect receipt of the total rebate and on an after-tax basis (premiums originally paid were for the full amount and post-tax).
- If you have any employees who are federally funded, the employer portion of the active employee rebate should be refunded to the federal sponsor.

**CIPPS
Processing**

Agencies should use the following codes when entering the transactions needed to pay the rebates:

Active employees currently in CIPPS:

- Special pay 033 in the amount of \$22.99
- Tax/Check/Deduction indicators will be 5 0 0

Retirees/Employees in LTD with records still in CIPPS:

- Agencies use the list provided to make sure records have been reactivated and set to non-auto; turn off direct deposit and all other deductions.
- Enter transactions for special pay 008 in the amount of \$216.28
- Tax/Check/Deduction indicators will be 5 0 0

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Medical Loss Ratio - Rebates to Optima Participants, continued

**HCM
Processing**

Agencies should enter a SPOT earnings transaction and use the following codes when entering the transactions needed to pay the rebates:

Active employees currently in HCM:

- Earnings Code: HIN in the amount of \$22.99
- Earnings Begin and End Date: 11/25/2021 – 12/09/2021
- Tax Method: A
- Benefit and General Deductions: D
- Separate Check: 0

Retirees/Employees in LTD with records still in HCM:

- There is no need to reactivate the position as the SPOT will pull through for the inactive record.
- Earnings Code: NTX in the amount of \$216.28
- Earnings Begin and End Date: 11/25/2021 – 12/09/2021
- Tax Method: A
- Benefit and General Deductions: D
- Separate Check: 0

Questions

Please contact Office of Health Benefits at 888-642-4414 with all questions related to Medical Loss Ratios and the Optima rebate.
