

**Metropolitan Domestic Water Improvement District  
Board of Directors Meeting**

**August 12, 2013**

**Health Insurance Premium Rebate for 2012**

**Synopsis**

The Board of Directors is requested to approve issuing a rebate from Blue Cross Blue Shields of Arizona to staff employees and that the remainder of the rebate be returned to the District's general fund.

**Background**

Health insurance carriers are required to spend at least 80 percent of the premiums they collect 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 80/20 rule or the "Medical Loss Ratio" standard of the Affordable Care Act is intended to ensure that consumers get value for their health care dollars.

**Issues**

Blue Cross Blue Shield missed the 80 percent target by 1.1% of premium it received in 2012. Therefore, Blue Cross must rebate 1.1% of the total health insurance premiums paid by the District and its employees. Blue Cross has issued a rebate check of \$4,178.94 to the District.

The District now must distribute the rebate in one of two ways: 1) use it to reduce the premium for the upcoming years; or 2) provide a portion of the rebate to employees that were covered by the health insurance on which the rebate is based. The \$4,178.94 is a small amount and would do little to reduce premiums for when the District policy renews at the end of the year. Issued as rebate checks, the amount would be distributed as follows: Single employees would receive \$1.30; Employee and spouse would receive \$24.59; Employee with children would receive \$22.30; and Employee with family would receive \$34.95. These amounts would be considered taxable income.

The remaining amount, \$3,209.43 of the \$4,178.94, would be returned to the District since that is 1.1% contributed by the District.

**Recommendation**

Staff recommends that the Board of Directors approve having the rebate received from Blue Cross be

distributed between the employees and the District as prescribed and allowed under the Affordable Care Act. Staff believes this would be the simplest, most straightforward approach for addressing the rebate.

**Suggested Motion**

I move to approve having the rebate received from Blue Cross be distributed between the employees and the District as prescribed and allowed under the Affordable Care Act.

Respectfully Submitted,

Mark R. Stratton, P.E.  
General Manager