

PEBB/SEBB Medical Loss Ratio performance guarantee

Background

The Public Employee Benefits Board (PEBB) and School Employee Benefits Board (SEBB) programs offer health coverage to all Washington public and school employees and their dependents. PEBB and SEBB covered roughly 650,000 people in 2020.

What is the Medical Loss Ratio?

The Medical Loss Ratio (MLR) defines the proportion of premium dollars that a health plan spends on claims and quality improvement. In the Affordable Care Act of 2010, the federal government required that fully insured health plans spend at least 80 percent (for individual and small group plans) or 85 percent (for large group plans) of premium dollars on medical care or quality improvement activities. This means that these plans can use up to 15–20 percent of the money they collect as premiums for overhead, administration, and profit. They must spend the other 80–85 percent on claims and quality improvement or return it to their customers.

What are MLR incentives?

HCA has a unique agreement with Kaiser Permanente, UnitedHealthcare and Premera, three of the insurance carriers that provide coverage for the PEBB and SEBB programs. Aligned with federal standards, HCA imposes an MLR threshold for PEBB/SEBB carriers of 85 percent; however, if these carriers fail to meet certain performance standards, then the MLR threshold may be adjusted up to 90 percent (keeping only 10 percent of premiums for overhead and profits). The carrier performance standards include the following provisions for threshold adjustment:

- Offering qualified health plans on Washington's individual market through the Health Benefit Exchange (1 percent adjustment).
- Achieving certain clinical quality targets (2 percent adjustment).
- Shifting provider contracts into VBP arrangements (1 percent adjustment).
- Using a certain amount of total provider payments for financial incentives and disincentives tied to quality metrics (1 percent adjustment).

The UnitedHealthcare Medicare Advantage performance standards include the following provisions for threshold adjustment:

- Maintaining a CMS Five-Star Quality Rating equal to 4.0.
- Establishing and maintaining alternative payment models (APMs) via provider contracting.
- Maintaining timely reporting thresholds and standards to HCA.

If the plans successfully meet these performance standards, their required MLR thresholds will remain at 85 percent. No plan's MLR can drop below the federal standard of 85 percent.

Quality priorities

The quality targets in the MLR incentive structure are:

- Antidepressant medication management (acute and continuation phases)
- Asthma medication ratio
- Screening rates for breast, cervical, and colorectal cancers
- Child and adolescent wellness visits
- Childhood immunization status
- Controlling high blood pressure
- Follow up after ED visit for substance use
- Hemoglobin control and eye exam for patients with diabetes
- Prenatal and postpartum care
- Statin therapy for patients with heart disease