

## Dept. of Health and Human Services

## § 158.101

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### § 158.101 Basis and scope.

(a) *Basis.* This part implements section 2718 of the Public Health Service Act (PHS Act).

(b) *Scope.* Subpart A of this part establishes the requirements for health insurance issuers (“issuers”) offering group or individual health insurance coverage to report information concerning premium revenues and the use of such premium revenues for clinical

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services provided to enrollees, activities that improve health care quality, and all other non-claims costs. Subpart B describes how this information will be used to determine, with respect to each medical loss ratio (MLR) reporting year, whether the ratio of the amount of adjusted premium revenue expended by the issuer on permitted costs to the total amount of adjusted premium revenue (MLR) meets or exceeds the percentages established by section 2718(b)(1) of the PHS Act. Subpart B also addresses requirements for calculating any rebate amounts that may be due in the event an issuer does not meet the applicable MLR standard. Subpart C implements the provision of section 2718(b)(1)(A)(ii) of the PHS Act allowing the Secretary to adjust the MLR standard for the individual market in a State if requiring issuers to meet that standard may destabilize the individual market. Subparts D through F provide for enforcement of this part, including requirements for issuers to maintain records and civil monetary penalties that may be assessed against issuers who violate the requirements of this part.

[75 FR 74921, Dec. 1, 2010, as amended at 75 FR 82278, Dec. 30, 2010]

### § 158.102 Applicability.

*General requirements.* The requirements of this part apply to issuers offering group or individual health insurance coverage, including a grandfathered health plan as defined in §147.140 of this subpart.

### § 158.103 Definitions.

For the purposes of this part, the following definitions apply unless specified otherwise.

*Blended rate* means a single rate charged for health insurance coverage provided to a single employer through two or more of an issuer's affiliated companies for employees in one or more States.

*Contract reserves* means reserves that are established by an issuer which, due to the gross premium pricing structure at issue, account for the value of the future benefits that at any time exceeds the value of any appropriate future valuation of net premiums at that time. Contract reserves must not in-

clude premium deficiency reserves. Contract reserves must not include reserves for expected MLR rebates.

*Direct paid claims* means claim payments before ceded reinsurance and excluding assumed reinsurance except as otherwise provided in this part.

*Enrollee* means an individual who is enrolled, within the meaning of §144.103 of this title, in group health insurance coverage, or an individual who is covered by individual insurance coverage, at any time during an MLR reporting year.

*Experience rating refund* means the return of a portion of premiums pursuant to a retrospectively rated funding arrangement when the sum of incurred losses, retention and margin are less than earned premium.

*Group conversion charges* means the portion of earned premium allocated to providing the privilege for a certificate holder terminated from a group health plan to purchase individual health insurance without providing evidence of insurability.

*Health Plan* means health insurance coverage offered through either individual coverage or a group health plan.

*Individual market* has the meaning given the term in section 2791(e)(1) of the PHS Act and section 1304(a)(2) of the Affordable Care Act.

*Large Employer* has the meaning given the term in §144.103 of this subchapter.

*Large group market* has the meaning given the term in section 2791(e)(3) of the PHS Act and section 1304(a)(3) of the Affordable Care Act.

*MLR reporting year* means a calendar year during which group or individual health insurance coverage is provided by an issuer.

*Policyholder* means any entity that has entered into a contract with an issuer to receive health insurance coverage as defined in section 2791(b) of the PHS Act.

*Situs of the contract* means the jurisdiction in which the contract is issued or delivered as stated in the contract.

*Small Employer* has the meaning given the term in §144.103 of this subchapter.

*Small group market* has the meaning in section 2791(e)(5) of the PHS Act and section 1304(a)(3) of the Affordable Care Act.

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