



United States
Department of
Agriculture

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Food and
Nutrition
Service

3101 Park
Center Drive

Alexandria, VA
22302-1500

SUBJECT: Treatment of Medical Loss Ratio Rebates
TO: All Regional Directors
Supplemental Nutrition Assistance Program

Under the Affordable Care Act, Public Law 111-148, insurance carriers must reimburse consumers if less than 80 percent of premiums are spent on medical care (the percentage may be somewhat higher in larger group markets). The remaining 20 percent of premiums are to go toward administrative costs. This is known as the 80/20 rule, also called the Medical Loss Ratio (MLR). This memorandum provides guidance to States on how to treat MLR rebates received by Supplemental Nutrition Assistance Program (SNAP) households.

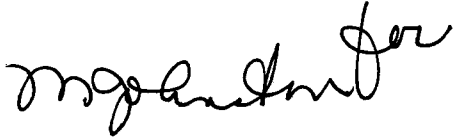
Under the new health care law, insurance companies must pay impacted households by August 1 of each year. For SNAP purposes, these rebates are considered non-recurring lump-sum payments as the rebates may or may not be received by households each year. Section 5(d)(8) of the Food and Nutrition Act (the Act) and SNAP regulations at 7 CFR 273.9(c)(8) provide that non-recurring lump sum payments are excluded from income, including rebates. However, the rebates are counted as a resource in the month received. This means that if a SNAP household receives the rebate as a check or directly in their bank accounts, it should be counted as a resource and excluded as income. If the rebate is in the form of a reduction from premiums or in a manner that is not in the form of a payment, it should not be counted as a resource per 7 CFR 273.8(e)(8) because it is inaccessible to the participant.

The United States Department of Health and Human Services guidance, found at www.HealthCare.gov, provides that the insurance company may provide households the rebate in one of the following ways:

- A rebate check in the mail from the insurance company
- A lump-sum reimbursement from the insurance company to the same account that was used to pay the premium if it was paid by credit card or debit card
- A direct reduction in future premiums
- The household's employer providing one of the above rebate methods, or applying the rebate in a manner that benefits its employees.

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If you have any questions, please contact Angela Kline at Angela.Kline@fns.usda.gov.

A handwritten signature in black ink, appearing to read "Lizbeth Silberman". The signature is written in a cursive style with a large, prominent initial "L".

Lizbeth Silberman
Director
Program Development Division