May 30, 2018

Dear JOHN DOE:

Blue Cross Blue Shield of Massachusetts is conducting our annual Patient Protection and Affordable Care Act (PPACA) survey to satisfy federal government requirements. This survey defines the size of your company (small vs. large) for potential rebate purposes.

**Why Does It Benefit You to Complete this Survey?**

The Patient Protection and Affordable Care Act requires insurance companies to annually report our medical loss ratio (MLR) to federal regulators and pay rebates to our accounts if certain medical loss ratio targets are not met. The calculation of the medical loss ratio is based, in part, on the size of the employer groups that we insure. To calculate medical loss ratio for 2018 and determine if any rebates are due to your company in 2019, we need to know whether your company should be categorized as a “small” or “large” employer group.

**Why Do You Need to Calculate and Report the Number of Employees?**

If Blue Cross Blue Shield of Massachusetts is required to issue medical loss ratio rebates in 2019, the size of your company will be a factor in determining if you will be eligible for a rebate in 2019. That is why we are asking you to complete the enclosed form entitled Employer Group Size Survey by indicating your company’s average number of employees in 2017, consistent with the definition provided on the survey.

If a rebate is due to your company based on the medical loss ratio calculations, we will need you to provide detailed reporting information, which we are required by law to retain and report to federal regulators. We will also need you to distribute the rebate funds (if applicable) proportionally to your employees based on their premium contribution.

**When Do You Need to Return the Survey?**

To avoid receiving unnecessary follow up calls and letters, please respond to this questionnaire within the next 10 business days. We prefer you respond online, but you can also do so by mail, phone, or fax if needed. See below for details.

| To respond online, visit BCBSMAMLR.groupsizupdatecenter.com and provide the requested information. You will need your Account Number and Reference Number (located at the top right of this page). |
| To respond by mail, please complete the enclosed survey and send to: Blue Cross Blue Shield of Massachusetts P.O. Box 69006 Omaha, NE 68106 |
| To respond by phone, please contact us at 888-703-7302 |
| To respond by fax, please complete the enclosed surveys and fax them to 402-384-6695 |

Please refer to the enclosed Frequently Asked Questions sheet if you have questions about this annual initiative, or contact us at 888-703-7302. Thank you for your assistance and your timely response.

Sincerely,

Blue Cross Blue Shield of Massachusetts

Enclosure: Patient Protection and Affordable Care Act MLR Calculation Employer Group Size Survey, FAQ
Patient Protection and Affordable Care Act MLR Calculation Employer Group Size Survey

Employer Name: BUSINESS NAME
Account Number: 555555
Reference Number: 9999999

Employer Identification Number (EIN): 123456789

Step 1. If your primary EIN (see above) is incorrect or blank, please supply the correct EIN ________________.

Step 2. This survey will determine whether your company is a small or large group for calculating the 2018 medical loss ratio (MLR) and potential MLR rebate. Please complete the following:

Please indicate the average number of employees* your company employed in 2017, as defined below for calculating the medical loss ratio, by selecting your employer size:

☐ Small Employer—Average of 50 or less employees AND at least one employee on January 1, 2018.

☐ Large Employer—Average of 51 or more employees AND at least two employees on January 1, 2018.

* For purposes of counting employees and determining group size: An employer’s number of employees is determined by averaging the total number of all employees employed on business days during the preceding calendar year. [Section PHS Act §2791(e)(2) and (4)] Please note: this number includes each full-time, part-time, and seasonal employee. An employee is “any individual employed by an employer.” [PHS Act §2791(d)(5)] If your company is a sole proprietorship, do not count yourself or your spouse as employees (for purposes of this survey only).

This employer size categorization will be used to calculate the 2018 medical loss ratio (MLR) and help determine whether your company will be eligible for 2018 rebates, if any are required to be issued in 2019.

We will also rely on you to distribute rebate funds (if applicable) proportionally to your employees, according to federal guidelines.

Sign and Return: By signing and returning this form (or by completing this survey), you certify the accuracy of this information and confirm your understanding that we rely on your answers to calculate Medical Loss Ratio (MLR) and any associated rebates as required by federal law. Please return the completed, signed form within the next 10 business days.

Name & Title (Please Print) ___________________________ Signature ___________________________ Date ___________________________
<table>
<thead>
<tr>
<th>Question</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Why does Blue Cross Blue Shield make annual medical loss ratio calculations?</td>
</tr>
<tr>
<td>2</td>
<td>At what point is my company considered a large group for Blue Cross Blue Shield?</td>
</tr>
<tr>
<td>3</td>
<td>What are the characteristics of a large group for Blue Cross Blue Shield?</td>
</tr>
<tr>
<td>4</td>
<td>How is the medical loss ratio calculated?</td>
</tr>
<tr>
<td>5</td>
<td>What if my company was a new employer in 2017?</td>
</tr>
<tr>
<td>6</td>
<td>Why is this information needed?</td>
</tr>
<tr>
<td>7</td>
<td>Do employees covered on prior to Jan 1, 2017, who were covered on the large group as of Jan 1, 2017, affect your medical loss ratio?</td>
</tr>
<tr>
<td>8</td>
<td>Does my company have employees under age 30?</td>
</tr>
<tr>
<td>9</td>
<td>Do you need to include retirees in your total employee population?</td>
</tr>
<tr>
<td>10</td>
<td>Does my company have a profit sharing plan?</td>
</tr>
<tr>
<td>11</td>
<td>Could my group be classified differently?</td>
</tr>
<tr>
<td>12</td>
<td>In my count, I included part-time employees.</td>
</tr>
<tr>
<td>13</td>
<td>My group offers employees a flexible spending account.</td>
</tr>
<tr>
<td>14</td>
<td>I am determining my company's large group status.</td>
</tr>
</tbody>
</table>

**Annual Medical Loss Ratio Calculation**

- **For different purposes**
  - Yes, because the definition of employer size is different for various federal laws and programs, your organization might be classified differently.
  - No, unless they were active employees for at least 20% of the time they were employed.
  - Yes, you included all of your employees who were active at any time during the time frame.
  - Yes, you included all of your employees who were active at any time during 2017.
  - No, unless they were active employees for at least 20% of the time they were employed.

- **If your company is considered a large group for Blue Cross Blue Shield**
  - Yes, if your company is considered a large group for Blue Cross Blue Shield.
  - No, unless they were active employees for at least 20% of the time they were employed.

- **For the purpose of this analysis**, your employee count includes all full- and part-time employees.
  - Yes, for the purpose of this analysis, your employee count includes all full- and part-time employees.
  - No, for the purpose of this analysis, your employee count includes all full- and part-time employees.
  - Yes, you included all of your employees who were active at any time during the time frame.
  - Yes, you included all of your employees who were active at any time during 2017.
  - No, unless they were active employees for at least 20% of the time they were employed.

- **Why is this information needed?**
  - To better understand the cost of healthcare for employers and employees.
  - To help employers make informed decisions about their healthcare plans.
  - To analyze trends in healthcare costs and improve employer affordability.

- **What if my company was a new employer in 2017?**
  - Yes, if your company was a new employer in 2017.
  - No, unless they were active employees for at least 20% of the time they were employed.

- **At what point is my company considered a large group for Blue Cross Blue Shield?**
  - Yes, if your company is considered a large group for Blue Cross Blue Shield.
  - No, unless they were active employees for at least 20% of the time they were employed.

- **Does my group be classified differently?**
  - Yes, because the definition of employer size is different for various federal laws and programs, your organization might be classified differently.
  - No, unless they were active employees for at least 20% of the time they were employed.
  - Yes, you included all of your employees who were active at any time during the time frame.
  - Yes, you included all of your employees who were active at any time during 2017.
  - No, unless they were active employees for at least 20% of the time they were employed.

- **Could my group be classified differently?**
  - Yes, because the definition of employer size is different for various federal laws and programs, your organization might be classified differently.
  - No, unless they were active employees for at least 20% of the time they were employed.
  - Yes, you included all of your employees who were active at any time during the time frame.
  - Yes, you included all of your employees who were active at any time during 2017.
  - No, unless they were active employees for at least 20% of the time they were employed.

- **In my count, I included part-time employees.**
  - Yes, in my count, I included part-time employees.
  - No, unless they were active employees for at least 20% of the time they were employed.

- **Does this survey apply to me?**
  - Yes, if you are interested in participating.
  - No, unless they were active employees for at least 20% of the time they were employed.

- **My company is a profit sharing plan.**
  - Yes, if your company is a profit sharing plan.
  - No, unless they were active employees for at least 20% of the time they were employed.

- **Employee counts:**
  - If your company is a profit sharing plan.
  - Yes, in my count, I included part-time employees.

- **Do you need to include retirees in your total employee population?**
  - Yes, if your company is a profit sharing plan.
  - No, unless they were active employees for at least 20% of the time they were employed.

- **Does my company have a profit sharing plan?**
  - Yes, if your company is a profit sharing plan.
  - No, unless they were active employees for at least 20% of the time they were employed.

- **Could my group be classified differently?**
  - Yes, because the definition of employer size is different for various federal laws and programs, your organization might be classified differently.
  - No, unless they were active employees for at least 20% of the time they were employed.
  - Yes, you included all of your employees who were active at any time during the time frame.
  - Yes, you included all of your employees who were active at any time during 2017.
  - No, unless they were active employees for at least 20% of the time they were employed.

- **In my count, I included part-time employees.**
  - Yes, in my count, I included part-time employees.
  - No, unless they were active employees for at least 20% of the time they were employed.

- **Does this survey apply to me?**
  - Yes, if you are interested in participating.
  - No, unless they were active employees for at least 20% of the time they were employed.

- **My company is a profit sharing plan.**
  - Yes, if your company is a profit sharing plan.
  - No, unless they were active employees for at least 20% of the time they were employed.