



Health Plan Coverage Effectuation: Payments, Grace Periods, and Terminations

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Today's Topics

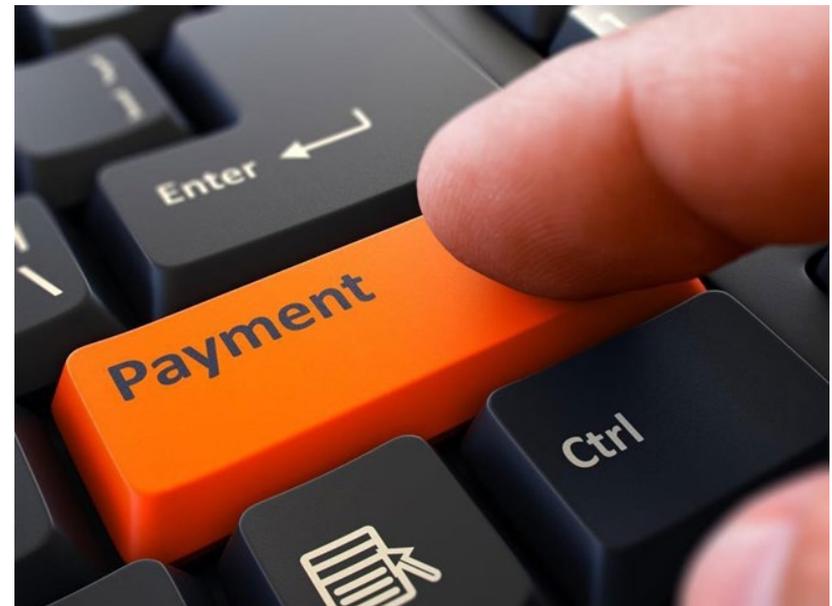
- Enrollment Effectuation
- Binder Payments
- Enrollment Cancellation
- Premium Payment Grace Periods

Steps to Effectuate Coverage Using the Federal Eligibility and Enrollment Platform

1. Consumer completes an application.
2. Consumer selects a plan.
3. Consumer makes timely payment of the first month's premium to the issuer.
4. Issuer informs the FFE of effectuated coverage, if applicable.

Binder Payment and Effectuation

- Consumers must pay their first month's premium ("binder payment") for enrollment to be effectuated.
- The deadline for making the binder payment for prospective enrollment to be effectuated must be:
 - No earlier than the coverage effective date.
 - No later than 30 calendar days from the coverage effective date.



Binder Payment and Effectuation (Cont.)

- Many issuers adhere to a “threshold” payment policy.
- This policy allows a consumer to make a binder payment that is less than the entire first month’s premium, but within the “threshold” amount, usually 95%.
- Ex: John Doe’s monthly premium is \$100. He pays a timely binder payment of \$97 which is within the issuer’s 95% threshold. Therefore his enrollment is effectuated by the issuer and the FFE.



Scenario 1

On December 15, 2019, Stephanie selects a plan.



She pays the binder payment fully or within the tolerance of an applicable premium payment threshold by the deadline of January 1, 2020.



On January 1, Stephanie's coverage starts.



What is a Cancellation?

- An action or request to “cancel” coverage which usually occurs *before* the coverage effective date.
 - May be voluntarily initiated by the consumer.
 - May be initiated by the issuer when a binder payment is not made by the payment deadline.
- Free-Look Exceptions

Scenario 2



On November 4, 2019, Nicholas selects a plan with a January 1, 2020 effective date.



He does not pay his binder payment fully or within the tolerance of an applicable premium payment threshold by the deadline of January 30, 2020.



His coverage is cancelled retroactively to January 1, 2020.

What is a Grace Period?

- A grace period is an extension, set by state or federal rules, that gives effectuated enrollees additional time to pay the portion of the monthly health insurance premiums for which they are responsible before the coverage is terminated for non-payment of premium.
- The length of a grace period depends on the enrollee's eligibility according to the following guidelines:
 - Enrollees receiving Advance Payments of the Premium Tax Credits (APTCs), when they first fail to timely pay premiums, have a grace period of three (3) consecutive months.
 - All other enrollees, not receiving APTC when they first fail to timely pay premiums, have a grace period determined by state rules.
- Contact your state Department of Insurance for information on grace periods in your state for enrollees not receiving APTC.

What is a Grace Period? (Cont.)

TIP: It is important to pay all outstanding insurance premiums during a grace period so your health insurance company doesn't end your coverage.

Claims for Enrollees who are Behind in Premium Payments and who were Receiving APTC When They First Failed to Timely Pay Premiums

- During the first month of a three-month grace period for enrollees receiving APTC, the issuer must pay all appropriate claims for services rendered to the enrollee.
- The issuer may pend claims for services rendered during the second and third months of the grace period for enrollees receiving APTC, if permitted by state law.
- If an enrollee fails to pay all outstanding premium, or an amount that satisfies any applicable premium threshold, before the end of the grace period:
 - The enrollee's coverage will be terminated, effective on the last day of the first month of the grace period, for non-payment of their premium.
 - The issuer will deny any claims that were pended during the second and third months of the three-month grace period.



Knowledge Check 1

Grace Periods in General

- John, who's eligible for and chooses to receive APTC, selects his plan during Open Enrollment.
- John makes his binder payment on time to effectuate his coverage.
- John does not make a premium payment for May.
- By the end of the three-month grace period, John has not paid all outstanding premium owed (within the tolerance of any applicable premium payment threshold).



Knowledge Check 1: Question 1

When does John's grace period expire?

A.) July 31

B.) August 31

C.) September 30

D.) October 31

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A.) July 31

B.) August 31

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D.) October 31

The final day of the third month after his grace period started on May 1.

Knowledge Check 1: Question 2

If John still has outstanding premium beyond any applicable threshold after July 31, may the issuer of John's QHP deny any pended claims during June and July?

Answer: Yes or No

Knowledge Check 1: Question 2

If John has outstanding premium after July 31, may the issuer of John's QHP deny any pended claims during June and July?

Yes or No

Since John will lose coverage retroactively to the last day of May (May 31), John's QHP issuer may deny all pended claims from June and July, although it may keep the APTC paid on John's behalf for May and any premium John paid for May coverage. Any premium that John paid to the QHP issuer for coverage in June or July generally must be refunded to John, in accordance with applicable state law.

Termination for Non-payment of Premiums

- Enrollees must pay all outstanding premium amounts or an amount sufficient to satisfy any premium payment threshold before the end of the grace period to avoid termination for non-payment of premiums.
- A grace period does not “reset” when an enrollee makes a partial payment.
- When an enrollee’s coverage is terminated for non-payment of premiums, the consumer does not qualify for a Special Enrollment Period (SEP) for the resulting loss of minimum essential coverage (MEC).
- An enrollee who is eligible for APTC but elects not to receive APTC is not eligible for a three-month grace period but is eligible for the grace period required by the consumer’s state for consumers who fail to timely pay their premiums.

Knowledge Check 2

Termination for Non-payment



- Patrick, who's eligible for and elects to receive APTC, selects his plan during Open Enrollment.
- Patrick fails to make his August payment.
- Patrick fails to make his September payment.
- Patrick pays his August and September premium in full at the end of September.
- Patrick fails to make an October payment.

Knowledge Check 2: Question 1

Is Patrick still in a grace period if he pays his August and September premiums, in full, before October's premium is due?

Answer: Yes or No

Knowledge Check 2: Question 1

Is Patrick still in a grace period if he pays his August and September premiums, in full, before October's premium is due?

Yes or No

Patrick paid his August and September premiums in full before the October premium was due, ending his grace period. If he does not pay his October premium by the deadline, he will enter a new grace period that will end on December 31.

Final Marketplace Stabilization Rule

- A QHP issuer does not violate guaranteed availability requirements if the issuer:
 1. Attributes a premium payment under the same or different product to premiums due to that issuer within the prior 12 months, and
 2. Refuses to effectuate new coverage for failure to pay such premiums.
- This means, to the extent permitted by state law, an issuer who has provided proper notice of the consequences of non-payment of premium to its enrollees can require an individual or employer to pay all past-due premiums for coverage in the preceding 12-month period before they will effectuate new coverage.
 - This interpretation does not allow an issuer to condition effectuation of new coverage on payment of premiums owed to a different issuer* or to condition the effectuation of coverage on payment of past-due premiums by an individual other than the person contractually responsible for the premium payment.
 - * An issuer may be able to collect past-due premiums for a different issuer if both issuers are in the same controlled group.

Final Marketplace Stabilization Rule (Cont.)

- Issuers that adopt this premium payment policy, as well as issuers that do not adopt the policy but are within an adopting issuer's controlled group, must, in enrollment application materials and notices about non-payment of premiums (in paper or electronic form), clearly describe the consequences of non-payment of premium on future enrollment.
- An issuer that adopts such a payment policy is required to apply it uniformly to all employers or individuals in similar circumstances, regardless of health status, and consistent with non-discrimination requirements.

QHP Non-renewal for Medicare Entitlement

- An issuer is prohibited from re-enrolling in individual market coverage a consumer whom the issuer knows is entitled to Medicare Part A or enrolled in Medicare Part B if the coverage would duplicate Medicare benefits to which the enrollee is entitled.
 - Exception: Unless the renewal is under the same policy or contract of insurance, which would be determined using state rules.