

STATE HEALTH PLAN RULES

Rule Citation:	20 NCAC 12 .0101(c)
Rule Title:	SHP Rule on Arrears
Current Effective Date:	March 20, 2020
Original Effective Date:	December 1, 2016

Applies to: North Carolina State Health Plan for Teachers and State Employees, a Division of the Department of State Treasurer

Keywords: Employing Units, Employee Benefits, Employee Premium, State Health Plan, Non-payment

Background

The State Health Plan for Teachers and State Employees' ("Plan") eligibility and enrollment requirements are set forth in statute. The categories of eligibility, as set forth under Chapter 135, Article 3B, of the North Carolina General Statutes, include the following:

- Partially Contributory Coverage (*See* N.C. Gen. Stat. § 135-48.40(b))
- Fully Contributory Coverage (*See* N.C. Gen. Stat. § 135-48.40(d))
- One-half Contributory Coverage (*See* N.C. Gen. Stat. § 135-48.40(c))
- Noncontributory Coverage (*See* N.C. Gen. Stat. § 135-48.40(a))

Specific eligibility provisions relevant to this rule include, but are not limited to:

- N.C. Gen. Stat. § 135-48.41(e), which allows employees on an official leave of absence ("LOA") without pay to elect to continue Plan coverage, provided that they pay the full employee and employer contribution through the employing unit during the leave period.
- N.C. Gen. Stat. § 135-48.40(b)(8), which provides limited circumstances when an employee, whose job is eliminated because of a reduction, in total or in part, in the funds used to support the job or its responsibilities, may be eligible to continue Plan coverage on a partially contributory basis for up to 12 months following separation from service.
- N.C. Gen. Stat. § 135-48.40(b)(9) and N.C. Gen. Stat. § 135-48.40(b)(10), which provide circumstances when an employee who is on approved LOA with pay, receiving Workers' Compensation, or on approved Family and Medical Leave ("FMLA") may be eligible to continue Plan coverage on a partially contributory basis.

In addition to the eligibility and enrollment provisions, Chapter 135, Article 3B, of the North Carolina General Statutes also mandates when coverage under the Plan ends. For example, per N.C. Gen. Stat. § 135-48.44(a)(9), coverage under the Plan ceases the last day of the month for which a premium has been paid in full.

Purpose

The purpose of this rule is to outline the Plan's arrears rules when a member is in an eligibility-category that requires the member to be responsible for paying the full premium or a portion of the premium directly to the employing unit or the Plan's billing vendor. For example, the rule describes what happens when an employee is on an official LOA and does not pay their portion of the premium to the employing unit or billing vendor by the due date. The prior policy for arrears went into effect December 1, 2016, and applies to premiums due for coverage months beginning on or after January 1, 2017. This rule on arrears supersedes the prior policy. This rule on arrears is effective March 15, 2019, and applies to premiums due for coverage months beginning on or after April 1, 2019.

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Related Statutes, Rules, and Policies

N.C. Gen. Stat. § 135-48.30

N.C. Gen. Stat. § 135-48.40

N.C. Gen. Stat. § 135-48.41

N.C. Gen. Stat. § 135-48.44

Chapter 135, Article 3B, of the North Carolina General Statutes

Rule

Health Benefit Cancellation for Non-Payment:

Premium payments are due by the first day of the month that coverage is effective. The premium payment grace period ends thirty days after the due date. Members who do not pay their premiums in full by the final day of the grace period will have their coverage canceled.

Effective until rescinded by the Plan, the Plan may extend the premium due date or the payment due date grace period when necessary to provide flexibly to a member due to the member experiencing a financial hardship connected with the COVID-19 outbreak, as determined within the Plan's sole discretion. Nothing herein shall require the Plan to extend the premium payment due date nor waives the member's responsibility to make timely premium payments by the premium due date set forth by the Plan.

If the premium payment is received after the coverage is canceled due to non-payment, but the postmark date is on or before the last day of the grace period, then the coverage may be reinstated. This applies to members who are partially or fully contributory. If the unpaid premium amount due is only for dependent coverage, then only the dependent coverage will be terminated. However, if the unpaid premium amount due is for subscriber and dependent coverage, then the subscriber and all dependents will have their coverage canceled.

Non-active members enrolled in a Medicare Advantage plan who are terminated for non-payment follow the Centers for Medicare and Medicaid Services' involuntary termination rules, which require notice be given at least twenty-one days prior to termination.

Such members or dependents who are terminated for non-payment cannot be reinstated, even with a qualifying life event as defined in Section 125 of the Internal Revenue Code. Any member whose coverage is canceled for non-payment of premiums will be eligible to enroll during the next Open Enrollment period. Members who are on LOA as a result of FMLA and are terminated for non-payment may be eligible for reinstatement upon return to work. An exception will be required to evaluate their status. If the Plan approves an enrollment exception request related to a termination for non-payment of premiums, the member will be required to pay all outstanding premiums by personal credit card or automatic clearing house (also known as ACH or automatic draft) from the member's bank account in order to be reinstated.

Roles and Responsibilities

Employing Units: Employing units that do not utilize the LOA direct billing services that are offered by the Plan are responsible for collecting the member's premium for active employees, including while an employee is on an approved LOA, FMLA, or Workers' Compensation. Employing units are expected to pay the premiums for these members along with the premiums for other active members by the invoice due date. If the member does not pay the premium by the last day of the grace period, the employing unit should

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complete the cancellation by the end of the effective month by using the “loss of coverage due to non-payment” reason code in eBenefits. eBenefits will not permit cancellations after the grace period closes. If necessary, the employing unit is responsible for submitting a retroactive cancellation exception to the Plan, but in no circumstance will the Plan approve a cancellation for non-payment more than sixty days in arrears. If the employing unit does not complete the termination for non-payment within the appropriate time frame, the employing unit is responsible for payment to the Plan of the members’ premium.

The Plan: The Plan is responsible for premium invoicing for non-active members, non-permanent full-time members, and for permanent active members on LOA, FMLA, or Workers’ Compensation whose employing units have elected to have the Plan collect employee premiums. Non-active members are those members whose eligibility is not directly through an employing unit. Non-active members include: COBRA participants; retirees; former employees with fully contributory coverage post reduction in force (“RIF”); former members of the General Assembly; and surviving dependents.

The Plan has contracted with a billing vendor to manage the invoicing and collections for these members who do not have their portion of the premium withheld from their paycheck or retirement benefit. The Plan is also responsible for managing any exceptions related to cancellations for non-payment.

The examples below illustrate how **premium collection** will be managed.

- Example 1:**
- 1) Premium due for member on 12-Month RIF on 5/01/2021
 - 2) Member pays billing vendor on 5/28/2021
 - 3) Member continues coverage

- Example 2:**
- 1) Premium due for member on 12-Month RIF employee-only 80/20 coverage on 5/01/2021
 - 2) Member remits payment on 7/3/2021
 - 3) Member coverage is canceled effective 4/30/2021 and will not be reinstated
 - 4) Late premium payment is refunded

- Example 3:**
- 1) Premium due for member on 12-Month RIF on 5/01/2021
 - 2) Member pays billing vendor on 6/10/2021, but the envelope is postmarked 5/30/2021
 - 3) Member coverage, which has already been terminated, will be reinstated

- Example 4:**
- 1) Premium due for retiree and family on 70/30 Plan on 5/01/2021 (employee share of premium is zero in this scenario)
 - 2) Retiree pays billing vendor on 6/15/2021
 - 3) Retiree’s dependents have already been canceled and will not be reinstated
 - 4) Late premium payment is refunded

The examples below illustrate possible **exception** scenarios.

- Example 5:**
- 1) Premium due for member on LOA on 5/1/2021
 - 2) Member does not pay by 5/30/2021 and employing unit does not process cancellation
 - 3) Employing unit requests exception to retroactively cancel member 4/30/2021 on 6/15/2021
 - 4) Plan approves exception, and member is terminated 4/30/2021

- Example 6:**
- 1) Premium due for member on LOA on 5/1/2021
 - 2) Member does not pay by 5/30/2021 and employing unit does not process cancellation

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- 3) Employing unit requests exception to retroactively cancel member 4/30/2021 on 8/3/2021
- 4) Plan approves a 6/30/2021 termination
- 5) Employing unit is responsible for the member's May and June premium

Nature of the Rule

This rule governs the Plan's arrears process. This rule serves as a binding interpretative statement, within the delegated authority of the Department of State Treasurer pursuant to N.C. Gen. Stat. § 135-48.25. The rule implements the laws and regulations listed above. Those laws or regulations, not this rule, shall take priority if they conflict in any way.

Implementation

1. Publish the rule on the State Health Plan website.
2. Distribute the rule through an HBR newsletter.
3. Accept public comment on the rule.
4. Include the rule in HBR trainings.
5. Update the benefits booklets with the rule.
6. Include information for non-active members in the materials sent by the Plan's billing vendor.
7. Provide the rule to the Deputy Director of the Retirement Systems Division.

Enforcement

This rule may be amended by the Plan's Executive Administrator, in consultation with the Board of Trustees. Proposed amendments will be noticed for public comment at least 30 days prior to adoption.

Revision/Review History

Version/Revision	Date Approved	Description of Changes
V1.0	December 1, 2016	New Policy
V2.0	January 17, 2017	Revised grace period
V3.0	December 6, 2018	Updated LOA/FMLA information, updated dates in samples, changed name of enrollment program, other clarifications.
V4.0	March 15, 2019	New Rule
V5.0	March 20, 2020	Amend rule in response to Covid-19 State of Emergency

For questions or clarification on any of the information contained in this rule, please contact the rule owner or designated contact point: Caroline Smart, Senior Director of Plan Integration at Caroline.Smart@nctreasurer.com. For general questions about department-wide rules, policies, and procedures, contact the [DST Policy Coordinator](#).