

STATE HEALTH PLAN RULES

Rule Citation:	20 NCAC 12 .0101(d)
Rule Title:	SHP Rule on Retiree Health Benefit Enrollment and Premium Payments
Current Effective Date:	March 15, 2019
Original Effective Date:	July 1, 2013

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

Keywords: Employee Benefits, Employee Premium, Retiree Health Benefit Eligibility

Background

N.C. Gen. Stat. § 135-48.40(a)(1), (b)(3), (c)(2), and (d)(11) sets forth the enrollment eligibility levels for retiree health benefits under the North Carolina State Health Plan for Teachers and State Employees (“Plan”).

The Retirement Systems Division (“RSD”) of the North Carolina Department of State Treasurer is the Health Benefit Representative for retired State employees and is responsible for determining an individual’s eligibility for retiree health benefits. The Plan administers the health benefits for retirees.

Purpose

The purpose of this rule is to outline how retirees are enrolled into benefits and how monthly premiums are calculated and collected.

Related Statutes, Rules, and Policies

42 U.S.C. § 1395 et seq.
42 C.F.R. § 400.200 et seq.
N.C. Gen. Stat. § 135-48.40
N.C. Gen. Stat. § 135-48.38
20 NCAC 12 .0101(a); SHP Rule on Enrollment Exceptions and Appeals
20 NCAC 12 .0101(c); SHP Rule on Arrears

Retirees requesting an enrollment exception should review 20 NCAC 12 .0101(a); SHP Rule on Enrollment Exceptions and Appeals posted on the Plan’s web site at shpnc.gov.

Rule

Retiree Health Benefit Effective Dates:

Retiree health benefits are effective the first day of the month following the effective date of the retirement benefit.

Example: Retirement effective date is July 1. Therefore, the retiree health benefit effective date is August 1.

To ensure there is no gap in health benefit coverage, the active group (employer) from which the employee retires covers the new retiree’s health benefit for the first month of retirement.

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Example:

- **June 30** employment ends.
- **July 1** retirement begins, but the retiree's health benefit remains under the active group (employer); therefore, the Plan invoices the active group (employer) for the retiree's health benefit premium.
- **August 1** the retiree's health benefit through the RSD begins, and the Plan invoices RSD for the health benefit premium.

If the retiree and/or any of their covered dependents are Medicare primary at the time of the retirement, they become Medicare primary for the last month of active coverage and should have both Medicare Parts A and B to ensure that their benefit is not reduced. As described in N.C. Gen. Stat. § 135-48.38(c), benefits under this program will be reduced by the amounts to which the covered individuals would be entitled to under Parts A and B of Medicare, even if they choose not to enroll for Part A and/or Part B.

Example:

- **June 30** employment ends.
- **July 1**, retirement begins, but the retiree remains enrolled in the same plan they had as an active employee. If the retiree and/or dependents are Medicare eligible, they become Medicare primary; therefore, Medicare is the primary payor for any services incurred in July. If the retiree and/or dependents that are Medicare primary have not elected Medicare Part B and incur Medicare Part B services, they will be responsible for what Medicare would have paid had they been enrolled. Additionally, if the retiree or a dependent is Medicare primary, then the active group (employer) will be invoiced the reduced Medicare primary employer and/or dependent premium, as appropriate.
- **August 1**, retiree health benefit begins, and retiree and dependents are auto-enrolled into retiree health benefits and, if applicable, remain Medicare primary. The Plan will invoice RSD for premiums.

Retiree Health Benefit Enrollment:

If an individual is eligible for retiree health benefits, the Plan will automatically enroll the individual and if applicable, any eligible dependents, into their retiree health benefit once RSD processes the individual's Form 6E **and** the active group (employer) processes the active health benefit termination. RSD does not provide the 6E form to the individual until after the initial retirement paperwork is approved. For more information on the retirement process, see the "Retirement Check List" on the RSD web site: <https://www.nctreasurer.com/Retirement-and-Savings/For-New-Government-Employees/Pages/Retirement-Checklist.aspx>.

All new retirees who are eligible for Plan coverage will be automatically enrolled into a plan at the time of retirement even if a member did not have Plan coverage as an active employee. An individual cannot decline their health benefit coverage until after the Form 6E is approved and they are enrolled in the health benefit. The plan design in which the retiree and, if applicable, dependents are auto-enrolled is determined based on both the Medicare status of the individual and the timing of RSD's approval of the retirement. The retiree will receive a letter from the Plan confirming the retiree health benefit auto-enrollment. The letter will also include information about how and when to make enrollment changes.

- **Non-Medicare Primary Auto-Enrollment:** Members who are not Medicare primary at the time of their retirement auto-enrollment will be auto-enrolled into the same coverage they had under the

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active group (employer). If they had no active health benefits, they will be enrolled into retiree only 70/30 PPO Plan coverage.

	Example 1	Example 2
Active group coverage	80/20, Employee and Spouse	Not enrolled
6E submitted to RSD and active group for 7/1 retirement	4/15	4/15
Future termination processed by active group	4/30	4/30
Medicare Primary	No	No
6E Approved by RSD	5/15	5/15
Auto-Enrollment date	5/16	5/16
Auto-Enrollment plan	80/20, Retiree and Spouse	70/30 Retiree Only
Window to change auto enrollment	5/16 – 8/30	5/16 – 8/30

- **Medicare Primary Retirement Auto-Enrollment:** Members who are Medicare primary at the time of their retirement will be auto-enrolled into new Medicare primary plan options. In order for the Medicare primary retiree and any applicable Medicare primary dependents to be automatically enrolled in a Group Medicare Advantage PPO Plan:
 - The active group health benefit coverage must be terminated more than thirty days prior to the retirement benefit effective date;
 - Form 6E must be approved more than thirty days prior to the retirement benefit effective date;
 - The retiree and applicable dependents must be enrolled in Medicare Parts A and B; and
 - The retiree and applicable dependents must have a physical address.

Medicare primary retirees and/or dependents with Medicare Parts A and B who are auto-enrolled into a 70/30 PPO Plan less than thirty days prior to the retiree health benefit effective date can enroll in a Group Medicare Advantage PPO Plan as long as the election is made prior to the retiree health benefit effective date.

All Group Medicare Advantage PPO Plan enrollments must be approved by the Centers for Medicare and Medicaid (“CMS”). If CMS does not approve a retiree or dependent’s enrollment into one of the Plan’s Group Medicare Advantage Plans, then that retiree or dependent will be automatically enrolled into the 70/30 PPO Plan. CMS can deny the enrollment into one of the Plan’s Group Medicare Advantage PPO Plans for a variety of reasons including, but not limited to, enrollment into another Medicare Advantage Plan, lack of Medicare Part A or Part B, inaccurate Medicare Identification Number, or invalid address. Members are notified of the disenrollment from the Group Medicare Advantage Plan and when appropriate, are given the opportunity to provide updated information that will allow them to enroll in the Group Medicare Advantage PPO Plan they elected.

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	Example 1	Example 2	Example 3	Example 4
Active Enrollment Election	80/20, Employee and Spouse	80/20, Employee and Spouse	80/20, Employee and Spouse	80/20, Employee and Spouse
6E Submitted	4/15	4/15	6/30	4/15
Future Termination processed from active group	4/30	7/25	7/10	4/30
Medicare Primary (Medicare A & B)	Yes – Both	Yes – Both	Yes – Both	Retiree – Yes Spouse – Missing Part B
6E Approved	5/15	5/15	8/5	5/15
Auto Enrollment Date	5/16	7/26	8/6	5/16
Auto Enrollment Plan	MA Base, Retiree and Spouse	70/30, Retiree and Spouse	70/30, Retiree and Spouse	70/30, Retiree and Spouse
Window to change Medicare Advantage Enrollment	5/16 – 7/1	7/26 – 7/31	N/A	5/16 – 7/1
Retirement benefit start date	8/1	8/1	8/1	8/1
Submission to CMS	7/2	N/A	N/A	N/A
CMS Acceptance	Yes – Both Retiree and Spouse	N/A	N/A	N/A

	Example 5	Example 6
Active Enrollment Election	80/20, Employee and Spouse	80/20, Employee and Spouse
6E Submitted	4/15	4/15
Future Termination processed from active group	4/30	4/30
Medicare Primary (Medicare A & B)	Yes – Both Employee and Spouse	Yes – Employee No – Spouse
6E Approved	5/15	5/15
Auto Enrollment Date	5/16	5/16
Auto Enrollment Plan	MA Base, Retiree and Spouse	MA Base – Retiree 80/20 – Spouse
Window to Change Medicare Advantage Enrollment	5/16 – 7/1	5/16 – 7/1
Retirement benefit start date	8/1	8/1
Submission to CMS	7/2	7/2
CMS Acceptance	No – Retiree Yes – Spouse	Yes – Retiree
New Auto Enrollment Plan	70/30 – Retiree MA Base – Spouse	N/A

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Retiree Health Benefit Premiums:

Employees considering retirement should be aware that their eligibility for retiree health benefits and their level of coverage corresponds with the years of contributory (membership) retirement service they have obtained. If you withdraw your service (receive a refund of your contributions) and, at a later date, become reemployed by an eligible employer as an employee, this new start date will be considered your first hired date. Any rights associated with the original first hired date shall be void.

Retiree health benefit premiums are based on four attributes:

1. The required employer premium contribution.
 - a. Non-contributory: RSD pays 100% of the employer premium and retiree elects a plan design option without a retiree premium.
 - i. Example: Retiree eligible for non-contributory coverage and elects retiree only, 70/30 PPO coverage. RSD would pay 100% of the employer premium. Retiree's monthly premium will be \$0 because there is no retiree premium on the 70/30 PPO Plan and the retiree is not covering dependents.
 - b. Partially contributory: RSD pays 100% of the employer premium and retiree pays any dependent premium and the additional employee premium.
 - i. Example: Retiree eligible for non-contributory coverage but elects retiree only, 80/20 PPO coverage. Because the retiree elected the 80/20 PPO Plan, the retiree will have to pay a monthly retiree-only premium. RSD will pay 100% of the employer premium and the retiree pays at least \$50 per month which is the base retiree only premium for that plan design.
 - c. One-half contributory: RSD pays 50% of the employer premium and the retiree pays the other 50% of the employer premium as well as any dependent premiums and any additional employee premium.
 - i. Example 1: Retiree elects retiree only coverage on the 70/30 PPO Plan. The retiree will pay half of the employer premium and RSD will pay the other half of the employer premium. In addition to half of the employer premium that the retiree pays, the retiree pays the full amount of the retiree premium. In this example, there is no additional retiree premium on the 70/30 PPO Plan and the retiree is not covering dependents.
 - ii. Example 2: Retiree elects retiree only, 80/20 PPO Plan. The retiree pays half of the employer premium plus the retiree premium.
 - iii. Example 3: Retiree elects the Group Medicare Advantage Base PPO Plan. Because the retiree must pay 50% of the employer premium, but CMS does not allow the Plan to invoice the retiree more than what the Plan pays the Medicare Advantage carrier, the retiree will be billed the full amount paid to the Medicare Advantage carrier. RSD will pay half of the Medicare primary employer premium.
 - d. Fully contributory: Retiree pays 100% of the premium.
 - i. Example 1: Retiree elects the 70/30 PPO Plan. The retiree will pay 100% of the employer premium and retiree premium. RSD's monthly premium for this retiree will be \$0.
 - ii. Example 2: Retiree elects the 80/20 PPO Plan. The retiree will pay 100% of the employer premium plus the retiree's portion of the premium. RSD's monthly premium for this retiree will be \$0.
 - iii. Example 3: Retiree elects the Group Medicare Advantage Base PPO Plan. Because the retiree must pay 100% of the employer premium, but CMS does not allow the Plan to invoice the retiree more than what the Plan pays the Medicare

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Advantage carrier, the retiree will be billed the full amount invoiced to the Medicare Advantage carrier. RSD’s monthly premium for this retiree will be \$0.

	Non Contributory	Partially Contributory	One-half Contributory	Fully Contributory
Employer Premium	100% Paid by RSD	100% Paid by RSD	50% Paid by RSD 50% Paid by Retiree	0% Paid by RSD 100% Paid by Retiree
Employee Premium	Elected No Cost Option	Always paid for by Retiree based on coverage election		

2. The retiree’s coverage tier:
 - a. Retiree only
 - b. Retiree/spouse
 - c. Retiree/children
 - d. Retiree/family
3. The retiree and dependents’ Medicare status.
4. The plan design in which the retiree and any covered dependents are enrolled.

For more information on retiree health benefit rates, view the retiree benefits page on the Plan’s web site at shpnc.gov.

Retiree Health Benefit Premium Collections:

The Plan invoices RSD approximately fifteen days prior to the effective date of coverage, and premiums are due by the first day of the effective month. For example, the Plan sends RSD the August premium invoice around July 15. The monthly invoice includes the employer and retiree portion of the premium. RSD will attempt to deduct the retiree’s share of the premium from their monthly retirement benefit. If the retiree’s monthly retirement benefit is insufficient to cover the health benefit deduction, RSD will notify the Plan to invoice the retiree directly for their portion of the monthly health benefit premium. The Plan will continue to send the retiree a direct invoice until such time as the retiree requests to go back to monthly premium deductions from their retiree benefit and RSD confirms that the retiree’s monthly benefit amount is sufficient to coverage the deduction.

If a retiree is retroactively enrolled in retirement health benefits, they may owe for multiple months of premiums. It is important to submit retirement paperwork to RSD as early as possible to ensure both the initial enrollment and premium deduction are made on time. For information about the Plan’s Rule on Arrears, see the Plan’s web site at shpnc.gov.

Nature of the Rule

This rule governs retiree health benefit enrollment and premium rates. The 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.

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4. Include the rule in HBR trainings.
5. Update the benefit booklets with the rule.
6. Include information for non-active subscribers in the materials sent by the Plan's billing vendor.

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	March 15, 2019	New Rule

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](#).