



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



January 2024

This information is intended only for the use of entities and individuals certified to serve as Navigators, certified application counselors, or non-Navigator assistance personnel in a Federally-facilitated Marketplace. The terms “Federally-facilitated Marketplace” and “FFM,” as used in this document, include FFMs where the state performs plan management functions. Some information in this manual may also be of interest to individuals helping consumers in State-based Marketplaces and State-based Marketplaces using the Federal Platform. This material was produced and disseminated at U.S. taxpayer expense.

Today's Topics

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



Steps to Effectuate Coverage Through the Federally-Facilitated Marketplace

1. Consumer completes an application.
2. Consumer selects a plan.
3. Consumer makes a timely payment of the binder payment, if applicable, to the insurance company.
4. Insurance company informs the Federally-facilitated Marketplace (FFM) of effectuated coverage, if applicable.



Binder Payment and Effectuation



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

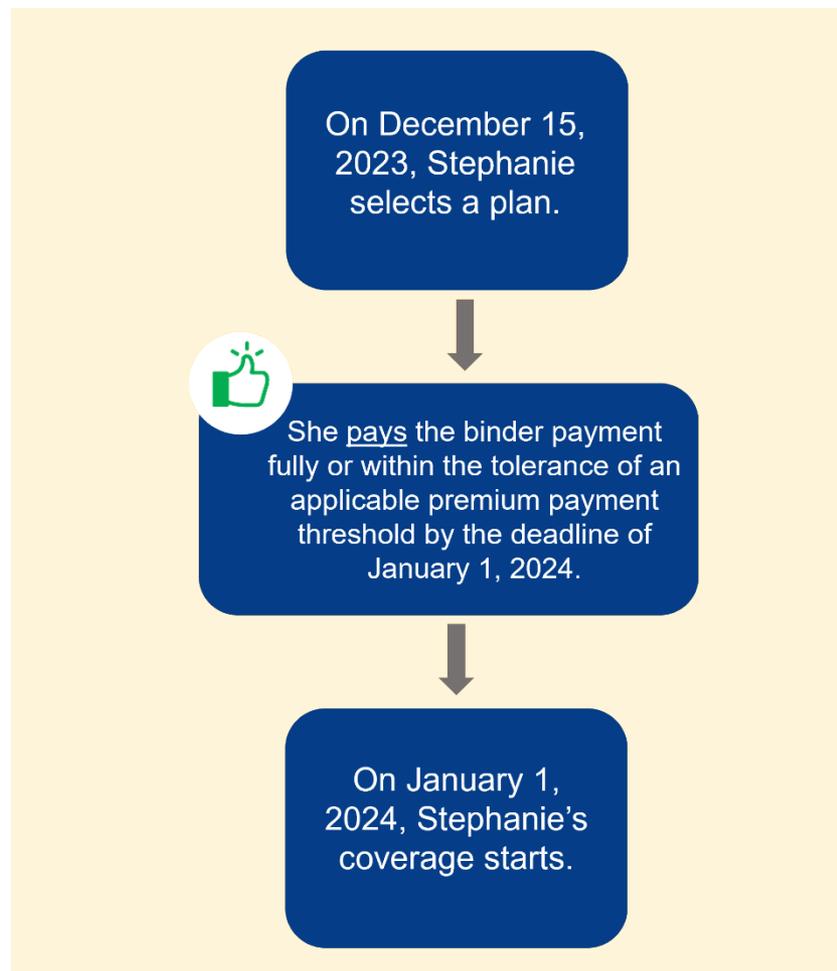
*This is for regular coverage effective dates, as special effective dates have a different range of deadlines.

Binder Payment and Effectuation (Cont.)

- Many insurance companies adhere to a “threshold” payment policy.
 - This policy allows a consumer to make a binder payment that is less than the premium, but greater than the “threshold” amount, usually 95 percent.
- Example: John Doe’s monthly premium is \$100. He pays a timely binder payment of \$97, which is 97 percent of the monthly premium and therefore greater than the insurance company’s 95 percent threshold. His enrollment is effectuated by the insurance company and the FFM.



Scenario #1 – Consumer Pays Premium Before Deadline



Coverage Cancellation

- A cancellation is an action or request to “cancel” coverage, which usually occurs before the coverage effective date. Cancellation may be initiated by:
 - The consumer, voluntarily.
 - The insurance company when a binder payment is not made by the payment deadline.
- Free-look Exception
 - Allows an enrollee to retroactively cancel coverage within a certain period of time, following existing state-specific guidelines.



Scenario #2 – Consumer Does Not Pay Full Premium Before Deadline

On November 4, 2023,
Nicholas selects a
plan with a January 1,
2024, 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, 2024.

His coverage is
cancelled
retroactively to
January 1, 2024.



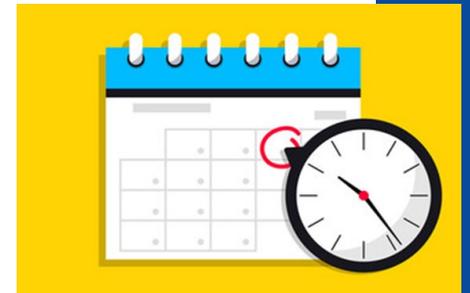
Grace Periods

- A grace period is an extension set by state or federal rules that gives enrollees with effectuated coverage 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 credit (APTC) when they first fail to timely pay premiums have a grace period of three consecutive months.
 - The grace period starts the first month an enrollee fails to pay, even if they make payments for following months.
 - All other enrollees not receiving APTC when they first fail to timely pay premiums have a grace period determined by state rules.
 - Consumers should contact their state Department of Insurance for state-specific information on grace periods for enrollees not receiving APTC.

Grace Periods (Cont.)

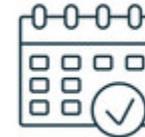
TIP

Remind consumers that it is important to pay all outstanding insurance premiums during a grace period, so their health insurance company does not end their coverage.



Claims During Grace Periods for Consumers Who are Receiving APTC

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



Scenario #3 – A Consumer Does Not Pay Premiums During a Grace Period

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



Scenario #3 – A Consumer Does Not Pay Premiums During a Grace Period: Question #1

When does Johnna's grace period expire?

- A. July 31
- B. August 31
- C. September 30
- D. October 31



Scenario #3 – A Consumer Does Not Pay Premiums During a Grace Period: Answer #1

A. July 31.

This is the final day of the third month after her grace period started on May 1.



Scenario #3 – A Consumer Does Not Pay Premiums During a Grace Period: Question #2

If Johnna still has outstanding premiums beyond any applicable threshold after July 31, may the insurance company of Johnna's Marketplace plan deny any pended claims during June and July?



Scenario #3 – A Consumer Does Not Pay Premiums During a Grace Period: Answer #2

Yes.

- Since Johnna will lose coverage retroactively to the last day of May (May 31), if she does not pay all outstanding premium owed (within the tolerance of any applicable premium payment threshold) by the end of the grace period, Johnna's insurance company may deny all pended claims from June and July.
- The insurance company may keep the APTC paid on Johnna's behalf and any premium Johnna paid for May coverage.
- The insurance company must generally refund any premium that Johnna paid for coverage in June or July, in accordance with applicable state law.



Termination for Non-Payment of Premiums

- If enrollees do not pay all outstanding premium amounts or an amount sufficient to satisfy any premium payment threshold before the end of the applicable grace period, the insurance company will terminate the enrollee's coverage 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).



Termination for Non-Payment of Premiums (Cont.)

- An enrollee who is eligible for but elects not to receive APTC is not eligible for a three-month grace period, but they are eligible for the grace period required by the enrollee's state for consumers who fail to timely pay their premiums.
- An enrollee can appeal an insurance company's decision if they believe their coverage was wrongly terminated. A consumer has the right to appeal all terminations or failure to provide or make payments (in whole or in part) for a benefit, including rescissions. However, terminations are not appealable to the Marketplace. Additional information on when to appeal to either the health insurance company or the Marketplace is located at [CMS.gov/marketplace/technical-assistance-resources/how-to-appeal-a-decision.pdf](https://www.cms.gov/marketplace/technical-assistance-resources/how-to-appeal-a-decision.pdf).

Scenario #4 – Termination for Non-Payment

- Patrick, who is 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.



Scenario #4 – Termination for Non-Payment: Question

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



Scenario #4 – Termination for Non-Payment: Answer

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.



Re-Enrollment in a Marketplace Plan After Coverage is Terminated Due to Non-Payment of Premium

Consumers whose previous coverage was terminated due to non-payment of premiums can enroll in coverage, if otherwise eligible, during the OEP:

- Consumers can receive a new eligibility determination and, if eligible, enroll in a Marketplace plan for the next plan year.
- Consumers with grace periods expiring at the end of the current plan year and who actively complete a plan selection for the upcoming plan year during the OEP may enroll in new coverage in certain scenarios, if otherwise eligible.



Re-Enrollment in a Marketplace Plan After Coverage is Terminated Due to Non-Payment of Premium (Cont.)

- Some consumers may experience a gap in coverage if:
 - They select a different plan through a different insurance company during the OEP and pay their binder payment, so the new coverage is effectuated January 1; and
 - Their previous coverage was terminated effective prior to January 1.
- Note: If consumers are not enrolled in Marketplace coverage in mid-December, they are not eligible to be automatically re-enrolled by the FFM for the following year.
 - Enrollees with grace periods expiring on December 31 or extending beyond the current plan year may still be eligible for auto-re-enrollment in a plan for the upcoming plan year.

Prohibition of Option to Condition New Enrollment on Payment of Past-Due Premium

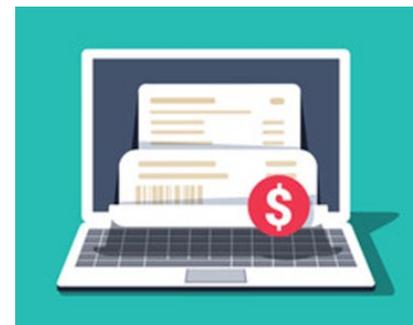
- Effective July 1, 2022, issuers may no longer condition new enrollments on payment of past-due premiums or attribute premium payments for new coverage to past-due premiums owed to the issuer (or another issuer in the same controlled group).
- If an enrollee's coverage is terminated by an issuer for non-payment of premiums, and the former enrollee subsequently re-enrolls with that same issuer (either through an SEP or the annual OEP), the issuer must effectuate the former enrollee's coverage and may not attribute to the outstanding premium owed any payments made by the former enrollee towards the new coverage.



IMPORTANT!

Prohibition of Option to Condition New Enrollment on Payment of Past-Due Premium (Cont.)

- Outstanding premium owed by the enrollee is not forgiven, however, and issuers may attempt to collect the premium owed by enrollees whose coverage has been terminated due to non-payment of premiums.
- **Reminder:** Consumers do not qualify for the loss of minimum essential coverage SEP if their coverage ends due to non-payment of premiums.



Marketplace Plan Non-Renewal for Medicare Entitlement



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