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Circular Letter

**TO: HEALTH BENEFITS OFFICERS AND ASSISTANTS OF THE STATE
AND CALIFORNIA STATE UNIVERSITY**

**SUBJECT: IMPORTANT 2005 PAY STATUS/ENROLLMENT PROCEDURE
CHANGES**

This Circular Letter informs you of changes to health transaction processing for employees who go off pay status for more than a full pay period after March 1, 2005. The changes include two new event codes and automation of a previously manual process. The new event codes will (1) prevent employees from using medical services for which they are not eligible while off pay status and (2) ensure your agency is charged the employer contribution for valid enrollments only.

The changes are addressed under the following topics:

- Off Pay Status - Employee Option
- Off Pay Status – Employer Responsibility
- Health Benefits Continuation – Direct Payment Authorization (Form HBD- 21)
- Optional Cancellation of Health Benefits
- Return to Pay Status: Reinstatement of Health Benefits

OFF PAY STATUS - Employee Option

Pursuant to Section 599.504 of the California Code of Regulations, an employee who is off pay status for one or more full pay periods has the option to continue health benefits by electing to pay the premium(s) directly to the carrier or cancel coverage until he or she returns to regular pay status.

Information for Permanent Intermittent (PI) employees off pay status is covered in the Health Benefits Procedure Manual in Section 3: *Eligibility* and Section 12: *COBRA*.

OFF PAY STATUS - Employer Responsibility

When an employee goes off regular pay status, it is the employer's responsibility to first update the pay status in the Personnel Information Management System (PIMS).

Employers who do not use PIMS must update the employee's pay status in the Appointment Change screen using the Automated Communications Exchange System (ACES).

Using ACES, once you are able to verify that the employee's pay status has been updated, you must then update the health benefits status (continue on direct pay or cancel while off pay status).

(Please note: Updating the pay status in PIMS alone will *not* update the health account status or change the premium payment method.)

HEALTH BENEFITS CONTINUATION – DIRECT PAYMENT AUTHORIZATION (Form HBD-21)

Employees off pay status may elect to continue their health benefits by paying the entire premium in advance of the coverage month in order to avoid a break in coverage. Payment must also be made for the month in which the employee returns to work.

An employee electing to continue health benefits while off pay status may do so by completing a *Direct Payment Authorization* (Form HBD- 21) and submitting it to their employer with the first month's gross premium, which includes the employer's contribution.

NOTE: Employees electing to delete dependents must complete an HBD-12 *prior* to continuing coverage for self only. The dependents are deleted using Event Code 311, Optional Delete; this transaction must be processed *prior* to processing the HBD- 21 to continue coverage. Re- enrolling deleted dependents is allowed only during an Open Enrollment period, as a result of a qualifying event, or under the provisions of the Health Insurance Portability and Accountability Act (HIPAA).

In order to avoid a break in coverage, the HBD- 21 must be completed by the employee no later than the last day of the month following the month in which the last payroll deduction was taken. Timely completion and processing of the Direct Pay election is necessary to avoid a lapse of coverage.

The Health Benefit Officers/Assistants/Personnel Specialists (hereafter collectively referred to as HBO) are responsible for updating ACES to reflect the direct payment election. This must be done no later than the last day of the month following the last month on pay status. The HBO must retain the completed HBD- 21 in the employee file and forward a copy of the HBD- 21, along with the employee's check, to the appropriate health plan. The health plans will contact those employees electing direct pay and provide instructions regarding payment information, including payment method, amount due, due date, etc. (A list of health plans and mailing addresses is attached.)

Failure by the employee to pay the carrier by the 10th of the month *preceding the coverage month* may result in cancellation of coverage. Any services used during a period of non-coverage will be the responsibility of the employee.

OPTIONAL CANCELLATION OF HEALTH BENEFITS

Employees may elect to cancel their health benefits while off pay status. To do so, an employee must complete a Form HBD- 12, sign the form, and submit it to their employer.

A new Event Code is available for this qualifying event:

Event Code 533, *Off Pay Status (Cancel)*

ACES must be updated no later than the last day of the month following the last month on pay status and the HBD- 12 must be retained in the employee's file.

For additional information, please refer to the enclosed *Section 9: Direct Pay* of the State Active Employers Health Benefits Procedure Manual which we have attached for your convenience.

ACES Users: Please do not forward completed forms to CalPERS; ACES- enabled employers must use ACES for these transactions. If CalPERS receives a completed form from an ACES user, it will be returned to the employer for processing through ACES.

RETURN TO PAY STATUS: REINSTATEMENT OF HEALTH BENEFITS

To reinstate an employee's health benefits upon return to regular pay status, the pay status must first be updated in PIMS or ACES, whichever is applicable.

Reinstatement of Health Benefits After Direct Pay Election

If an employee elected Direct Pay while off pay status, reinstatement of the health benefits upon return to regular pay status is now an automated process. Updating the employee's pay status in PIMS or ACES will *now* update the employee's health enrollment and resume proper health premium payment.

If you are unable to verify that the health account updated properly, you may update ACES with Event Code 712, *Chg to deduct-Return to Work*. This must be done when the employee returns to pay status to ensure proper health premium payment and to reduce the risk and/or amount of retroactive premiums being owed.

If ACES is updated *after* the 20th of the month in which the employee returns to pay status, the employee and employer will be responsible for retroactive premiums. Adjustments for retroactive premiums will be made during a future pay period.

Reinstatement of Health Benefits *After* Canceling Coverage

If the employee elected to cancel their health coverage while off pay status, there is a new Event Code for employees re-enrolling in health coverage when returning to regular pay status:

Event Code 160, *Return from Off Pay Status (New Enrollment)*

If an employee elects to resume health coverage upon return to active pay status, an HBD-12 must be completed and retained in the employee's file. The HBD-12 must reflect the same health plan and dependents covered prior to the change in pay status, subject to eligibility factors. ACES must be updated with Event Code 160, *Return from Off Pay Status (New Enrollment)*, no later than the last day of the month in which the employee returns to pay status. Timely processing is necessary to ensure proper health premium payment and reduce the risk of retroactive premiums being owed by the employee and employer.

We have revised *Section 9: Direct Pay* of the State Active Employers Health Benefits Procedure Manual and attached it. Please remove the current contents of Section 9 and replace them with the enclosed pages. If you have any questions, please contact the CalPERS Employer Contact Center at 888-CalPERS (225-7377).

Sincerely,

Curtis Howard, Chief
Office of Employer and Member Health Services

Attachment