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Date: July 21, 2010
 Reference No.:
 Circular Letter No.: 600-043-10
 Distribution:

Special:

Circular Letter

TO: ALL PEMHCA HEALTH BENEFITS OFFICERS AND ASSISTANT BENEFITS OFFICERS

SUBJECT: EXTENSION OF DEPENDENT COVERAGE UP TO THE AGE OF 26

Background The Patient Protection and Affordable Care Act (Act), as amended by the Health Care and Education Affordability Reconciliation Act of 2010, extends dependent coverage up to the age of 26.

On June 16, 2010, the CalPERS Board of Administration voted to implement this provision effective January 1, 2011, the beginning of the next plan year for CalPERS.

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Impact to CalPERS Health Benefits Eligibility

Children of CalPERS health benefit subscribers are eligible for dependent coverage up to the age of 26 effective January 1, 2011. They must be enrolled/re-enrolled during this year's Open Enrollment, September 13 through October 8, 2010.

The Act prohibits using any criteria other than the relationship between the participant (employee or retiree) and the child to determine eligibility for benefits. Therefore, CalPERS will no longer exclude any child on the basis of marital status, student status, or financial dependency. CalPERS will be required to propose statutory amendments as well as regulatory changes to comply with the Act. All references to the age 23 limit will be changed to age 26.

Who is Eligible?

Children, whether previously enrolled or not, are eligible for dependent coverage up to the age of 26. They are eligible even if they are married, do not live with the subscriber, and regardless of student status. Eligible children are defined as natural, adopted, step, or domestic partner's children up to the age of 26. Dependent coverage of children is available regardless of enrollment or availability of other employer-sponsored health plan.

CalPERS also extends dependent coverage to children for whom an employee or annuitant has assumed a parent-child relationship, such as a grandchild, niece, or nephew. Coverage for these children is also being extended up to the age of 26. Employees must complete the appropriate certification with their employer to receive coverage for these children.

Who is Not Eligible?

Under the Act, the spouse or children of an adult child are not eligible. For example, employees can add their children but not their child's child, child's spouse, or child's domestic partner.

Employer Contribution

The Act is very clear that qualified individuals cannot be required to pay more for coverage than similarly covered individuals who did not lose coverage due to the loss of dependent status. This means whatever the employer contribution is for other dependents, the same contributions are applicable for children up to the age of 26.

Party Rate

The Act did not change the current CalPERS one, two, and three-party rate structure. If an employee who is enrolled as a single party adds a dependent (regardless of age) the party rate will change from a 1-party plan premium to a 2-party plan premium. One employee plus two or more family members will be a 3-party plan premium.

Enrollment Period

Employees can enroll eligible children up to the age of 26 during the **Open Enrollment (OE) period, which is being held September 13, 2010, through October 8, 2010.** The effective date of all open enrollment transactions is January 1, 2011.

Employees will be informed in their Open Enrollment materials that if their children previously lost coverage due to turning age 23 or due to marriage, they **must act** during Open Enrollment to re-enroll them if eligible; their children will not be automatically re-enrolled. If an employee's child turns 23 on or after December 1, 2010, his or her coverage will be automatically extended up to the age of 26.

If an employee misses the open enrollment period, and wishes to enroll the dependent due to the Extension of Dependent Coverage, you may continue to enroll them through the remainder of 2010 (see "Enrollment Process" below. Retirees will be instructed to contact the CalPERS Customer Contact Center by calling **888 CalPERS** (or **888-225-7377**) to enroll their children.

Enrollment Process

Employers will have until October 15, 2010, to process OE transactions through ACES.

If an employee misses the OE period and wishes to enroll a child due to the Extension of Dependent Coverage, you may continue to enroll them in ACES through the remainder of 2010.

Reason Codes

Employers will use the same procedures to process open enrollment transactions as in previous years. To add a dependent during OE, use the applicable reason code; CalPERS is not adding additional enrollment reason codes. However, a new reason code has been created to delete a 26 year old. Impacted reason codes are:

- **Reason Code 301 23 year old delete** (can only be used for transactions with an effective date prior to January 1, 2011)
- **Reason Code 303 Child Marriage** (can only be used for transactions with an effective date prior to January 1, 2011)
- **Reason Code 324 26 year old delete** (can only be used for transactions with an effective date on or **after** January 1, 2011)

**Enrollment
Process
(contd.)**

Forms to be completed

Employees must complete and submit the Health Benefits Plan Enrollment Form (HBD-12) and Declaration of Health Coverage (HB12A) and supporting documentation to their Health Benefits Officer.

After Open Enrollment

If the employee wishes to add coverage for an adult child eligible under the Act after the October 15th ACES deadline, the HBO must honor the request. CalPERS has established a temporary process that enables you to process these enrollments after OE. **You must use Reason Code 206; October 8, 2010, as the permitting event date and HBO received date; and January 1, 2011, as the effective date for enrollments processed after OE and through December 2010.** For audit purposes, notate in the remarks section (box 35 of HBD-12) "per circular letter #600-043-10."

Supporting Documentation and SSN

Please ensure you input the child's Social Security Number (SSN) when you process the enrollment. If you do not already have a copy of the birth certificate on file, please ensure you obtain a copy.

**Child Who
Turns 23
Through
November
30, 2010**

CalPERS will continue to notify subscribers and dis-enroll children upon reaching age 23 through November 30, 2010. Consolidated Omnibus Budget Reconciliation Act (COBRA) Continuation Coverage must be offered. If the child's COBRA coverage is still in effect on January 1, 2011, you must first cancel the COBRA coverage effective January 1, 2011. Once the ACES batch updates the following business day, you can process the addition of the child.

**Child Who
Turns 23 in
December
2010**

If an employee's child turns 23 on or after December 1, 2010, his or her coverage will be automatically extended up to the age of 26. There is no need to take any action unless the employee wishes to cancel the coverage.

**Subscriber
Notification**

Communication to subscribers will occur as part of the OE process. Each subscriber receives an OE packet. The OE packet contains the health plan statement, which informs the subscriber of the dependents they have enrolled and the health plan they are enrolled in. In addition, the OE packet will contain an insert notifying the subscriber of the extension of dependent coverage up to the age of 26 and

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Subscriber Notification (contd.)

instructions on how to enroll their child. Copies of the inserts have been attached to this circular letter. The insert will target the following subscribers:

Subscriber	Description
Active (Attachment A)	Subscribers who are active employees
Retired (Attachment B)	Subscribers who are retirees
Age-Outs (Attachment C)	Subscribers with a child who turns 23 September 1 through November 30, 2010
COBRA (Attachment D)	Subscribers enrolled through COBRA continuation coverage

The OE mailing dates are August 16 and 23, 2010.

Timeline

The following is a timeline and checklist for implementation of the Extension of Dependent Coverage:

Time Frame	Who	Does What Activity	Health Benefits Officer (HBO) will
August 5, 2010	CalPERS	distributes the OE circular letter detailing OE changes.	become familiar with the changes for the upcoming plan year.
August 16, 2010, and August 23, 2010	CalPERS	mails OE materials to all subscribers enrolled as of July 1, 2010.	become familiar with member letter enclosed in OE materials.
September 3, 2010	CalPERS	sends subscriber notifications of disenrollment of all dependents who turn age 23 from September 1, 2010, through November 30, 2010.	continue to provide COBRA continuation coverage through 2010.
September 13 through October 8, 2010	Employee	completes and submits the Health Benefits Plan Enrollment Form (HBD-12) and	collect the child's SSN and birth certificate (if not on file).
Time Frame	Who	Does What Activity	Health Benefits Officer (HBO)

Timeline

(contd.)

			will
		Declaration of Health Coverage (HB12A) to their HBO, along with supporting documentation.	
September 13 through October 15, 2010	HBO	completes their portion of the HBD-12 form and processes the transaction in ACES.	use applicable reason code to add child during OE. Be sure to update all SSNs in ACES.
January 1, 2011	Health Plan	provides coverage for new enrollees.	

For More Information

For up-to-date information about CalPERS and Health Care Reform please refer to the Health Care Reform page on CalPERS On-Line at www.calpers.ca.gov. If you need further assistance, please contact the Employer Contact Center at **888 CalPERS** (or **888-225-7377**).

Sincerely,

HOLLY A. FONG, Chief
Office of Employer and Member Health Services

- Attachment A:** [Active Subscriber](#) (PDF, 10 KB)
- Attachment B:** [Retiree Subscriber](#) (PDF, 10 KB)
- Attachment C:** [Age-Outs Subscriber](#) (PDF, 11 KB)
- Attachment D:** [COBRA Subscriber](#) (PDF, 10 KB)