Frequently Asked Questions (FAQs) for Employers
Limited Retroactive Reimbursement Liability for Health Premiums

What changes are made by the proposed regulation amendments?
Title 2 of the California Code of Regulations, sections 599.502(f)(2) and 599.506(c)(1), will limit reimbursement of excess health premium payments to no more than six months; down from the current CalPERS policy of no more than 36 months.

Who is affected by the proposed amendments?
All members (active state and contracting agency employees and retirees) and employers who contract with CalPERS for health benefits will be affected by the proposed regulation amendments.

When will the regulation changes become effective?
The regulation changes can become effective as early as July 1, 2005.

What are the benefits of the proposed regulation amendments?
Limiting retroactive reimbursements to no more than six months will reduce the health plans' liability for events over which they have no control. In turn, health plans will not seek to mitigate these risks by increasing health benefit premiums for employers and members. CalPERS should be able to negotiate better premium rates, which benefits both employers and members.

How will members be informed?
CalPERS will inform members of the regulation changes through a variety of means including various publications and newsletters, Open Enrollment materials, the Annual Member Health Plan Statement, payroll inserts, and the CalPERS Web site.

What is the maximum allowable refund amount for retroactive deletions under the proposed regulation amendments?
The maximum allowable refund will be the amount of excess premiums paid for a period of up to six months prior to the date on which the action is processed and recorded.

What are examples of retroactive reimbursement claims?
The following is an example of a retroactive reimbursement claim caused by failure of a member to report a mandatory deletion in a timely manner:

> An employee gets a divorce, which is effective on December 5, 2002; however, the employee does not report the divorce until December 8, 2004. Coverage for the former spouse is retroactively cancelled back to January 1, 2003. This creates a retroactive health benefit premium overpayment for 24 months; the reimbursement will be calculated for the last six months only.

The following is an example of a retroactive reimbursement claim caused by the employer not recording a mandatory cancellation in a timely manner:

> An employee separates from employment on January 5, 2003, which would cancel the employee's coverage effective March 1, 2003. However, the employer does not update the employment record the transaction and continues to pay health benefit premiums for the former employee. The employer updates their records on December 10, 2004, retroactively canceling coverage for the former employee, effective March 1, 2003.

This creates a claim for retroactive health benefit premiums for 22 months; the reimbursement will be calculated for the last six months only.

When does health coverage end for a member who is retroactively deleted (*mandatory* deletion)?
Termination of health coverage is effective the first day of the month following the event which caused the deletion. For example, if a member gets a divorce, which is effective March 3, 2005, the former spouse's coverage ends as of April 1, 2005.

When does health coverage end for a member who is retroactively cancelled due to separation from their employer (*mandatory* cancellation)?
Termination of health coverage due to separation is effective the first day of the second month following the event which caused the cancellation. For example, if an employee quits May 5, 2005, coverage will be cancelled as of July 1, 2005.

When does health coverage end for a member who is retroactively cancelled due to obtaining other group health coverage (*permissive* cancellation)?
Termination of health coverage due to obtaining other non-CalPERS sponsored group health coverage is effective the first day of the month following the date the cancellation request is received. For example, if an employee obtains other health coverage through his or her spouse, effective December 1, 2004, but the request for cancellation is received May 5, 2005, the member's coverage ends as of June 1, 2005.

What are the consequences of failing to provide information regarding changes in enrollment in a timely manner?
Members who fail to report changes in their health enrollments in a timely manner could be liable to reimburse their employer premiums paid in excess of six months from the date the change was recorded. In addition, members may be liable to the health plans for costs incurred as a result of services provided to an ineligible dependent. Employers who do not record a deletion or cancellation in a timely manner will not be entitled to retroactive benefit premiums beyond six months from the date the cancellation is processed and recorded. If CalPERS fails to process an enrollment change, it is our intent to make "whole" any parties who are adversely affected.

Do retroactive transactions apply to dependents reaching age 23?
Dependent birthdates should be recorded in the health system and dependents are automatically cancelled on the 1st of the month following the 23rd birth month.

What is the estimated cost savings for implementing the proposed regulation amendments?
CalPERS could save an estimated $8 million dollars annually which will be reflected in future health premium rates.

Why are retroactive reimbursements limited to six months?
CalPERS realizes that life events may delay members and employers from immediately reporting health enrollment changes. However, because the majority of events (65%) are reported and processed within 180 days of the event that caused the health enrollment change, CalPERS has determined that a six-month period is a reasonable amount of time.

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If a member is dissatisfied with a retroactive reimbursement decision, is there an appeal process?
The Public Employees' Medical and Hospital Care Act (PEMHCA) contains ample appeal rights for members who are dissatisfied with a decision pertaining to health care coverage.

Where can additional information about the proposed regulation changes be found?
For additional information, visit the CalPERS Web site at *www.calpers.ca.gov* or call the CalPERS toll free number at (888) CalPERS (225-7377).