

P.O. Box 942714  
Sacramento, CA 94229-2714  
(916) 326-3970  
Telecommunications Device for the Deaf  
No Voice (916) 326-3240  
www.calpers.ca.gov

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# **Circular Letter**

**TO: FINANCIAL OFFICERS AND HEALTH BENEFIT OFFICERS OF  
CONTRACTING PUBLIC AGENCIES**

**SUBJECT: DELINQUENCY CONTROL POLICY FOR HEALTH PREMIUM PAYMENT  
CALPERS ADMINISTRATIVE FEE - FISCAL YEAR 2003/2004**

## **Delinquency Control Policy for Health Premium Payment**

Our new Contracting Agency Billing System was deployed in July 2002, and employers received their first invoice from the new system for the August 2002 coverage period. To keep you informed of our efforts, CalPERS has communicated on several occasions the following:

1. All invoices must be paid as billed; no adjustment to the bill is allowed;
2. No enrollment transactions may be sent with the remittance of payments. Submit your health enrollment transaction through the Automated Communications Exchange System (ACES), or send the HBD-12 to: CalPERS, Health Benefit Services Division, P. O. Box 92714, Sacramento, CA 94229-2714;
3. Adjustments to invoices will be applied on the future invoice;
4. All payment of invoices must be received in full by the 10<sup>th</sup> of the following month; and
5. Any payment received after the 10<sup>th</sup> of the following month (full or partial payment) will be considered delinquent and subject to a late penalty, interest, and/or other penalties.

CalPERS has the authority to impose the interest and/or penalties mentioned above pursuant to Government Code Section 22832 (c), (Statutes 2002, Chapter 898):

*“(c) If a contracting agency fails to remit the contributions when due, the agency may be assessed interest at an annual rate of 10 percent and the costs of collection, including reasonable legal fees, when necessary to collect the amounts due. In the case of repeated delinquencies, the contracting agency may be assessed a penalty of 10 percent of the delinquent amount. That penalty may be assessed once during each 30-day period that the amount remains unpaid. Additionally, the contracting agency may be required to deposit one-month’s premiums as a condition of continued participation in the program.*”

In addition to the penalties outlined above, the CalPERS Board has the authority to terminate any contracting agency, if the agency fails for three months after demand by the Board to perform any required act, including payment of premium.

In 2002, employers were reminded on several occasions of the consequences of late or partial payment of premium. Circular Letter No. 600-026-02 (April 17, 2002) to Financial Officers and Health Benefit Officers outlined the business requirements for the new invoice process, and the consequences for late or partial payments. The June and September 2002 "Hot Tips" restated this information.

Beginning November 1, 2003, CalPERS will implement a phased approach with respect to those agencies that are delinquent to either have them bring their accounts up to date or face penalties and/or termination.

CalPERS values and appreciates the participation of contracting agencies in its health program. Now that our new billing system and business requirements have been in place for one year, we want to make sure you are aware of the processes we will be instituting to ensure that all contracting agencies are making timely payments.

The process for handling delinquent payments is as follows:

- All contracting agencies that have outstanding balances on September 15, 2003, or who failed to pay the October 2003 invoice in full by October 10<sup>th</sup> may be assessed interest at an annual rate of 10 percent on the balance due. Interest will be charged monthly on all delinquent amounts. This charge will be reflected on the next month's invoice;
- In the case of repeated delinquencies, an agency may be assessed a penalty of 10 percent of the delinquent amount, including any past interest that is currently owed;
- If the delinquency continues, the 10 percent penalty may be assessed once during each subsequent 30-day period that the amount due remains unpaid;
- Continued delinquency may result in the contracting agency being required to deposit one month's premiums as a condition of continued program participation; and
- If the agency fails to comply, health program staff will send a final demand for payment in full of monies owed. Failure of the agency to pay all amounts outstanding and become current in its payments within 90 days will result in staff recommending to the CalPERS Board of Administration that the agency be terminated.

CalPERS would like to avoid undertaking any of the above processes and offers the following suggestions for keeping your agency delinquency-free:

- Always pay your invoice exactly as billed;

- Always pay your invoice by the 10<sup>th</sup> of the month;
- If feasible, prepay your invoice one month in advance;
- Enroll in CalPERS Electronic Payment Service and pay your health premiums over the Internet. Visit our Website at [www.calpers.ca.gov/employer/electronic-payment-services.htm](http://www.calpers.ca.gov/employer/electronic-payment-services.htm) for instructions.

If you have any questions regarding the implementation of the Delinquency Control Process, please contact Christopher L. Owen, Delinquency Control Analyst, at (916) 341-2344.

#### **CalPERS Administrative Fee For Fiscal Year 2003/2004**

The 2003/2004 California State Budget, which was signed by the Governor on August 2, 2003, changed the administrative fee charged to state and contracting agencies participating in the CalPERS Health Benefits Program. Effective July 1, 2003, the administrative fee increased from 0.20 percent of premium to 0.44 percent of premium.

Your October 2003 invoice will reflect this change to your administrative fee. The October invoice will also reflect a retroactive adjustment of the administrative fees for the months of July, August and September 2003. Therefore, you will be billed for the difference between the .20 percent of premium you were previously charged and the new administrative fee effective July 1, 2003.

We are sorry for the delay in notification. However, without a signed state budget we were uncertain what the administrative fee would be.

Sincerely,

Tom Fischer, Chief  
Health Benefit Services Division