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# **Circular Letter**

TO: Health Benefits Officers and Assistants of the State, California State University (CSU), and Contracting Agencies

SUBJECT: Limiting Retroactive Reimbursement Liability for Health Premiums

This letter provides you with information about recent regulation amendments which limit retroactive reimbursement liability for health premiums. Our main interest in limiting retroactive reimbursement contains four goals: to strengthen employee compliance; provide support to employers in administering the health program; mitigate the financial risk to health plans affected by retroactive reimbursements; and finally, to increase CalPERS ability to negotiate a reduction in health care costs with the health plans.

Retroactive transactions occur when the eligibility status for a member or dependent changes due to death, marital status, changes in employment and other circumstances, and the change is not reported in a timely manner. These transactions often result in a difference between the premiums paid and the premiums that should have been paid if the transaction had been properly reported.

CalPERS realizes there is sometimes the need for retroactive transactions because life events may delay members from immediately reporting health enrollment changes. However, because the majority of the changes are reported within six months of the event that caused the enrollment change, we have determined that a six-month period is a reasonable amount of time to report health enrollment changes.

The recent amendments to California Code of Regulations (CCR), sections 599.502(f)(2) and 599.506(c)(1), limit the liability of health plans for reimbursement of health premiums to members and employers to the amount of excess health premiums paid for a period of up to six months prior to the date on which the action is processed and recorded, pursuant to the member's request for retroactive cancellation or deletion of the ineligible family member.

Timely notification requires a collaborative effort between employers, members and CalPERS. Member compliance appears to be a significant problem for employers. We intend to make clear to all members that because they are the most knowledgeable resource regarding changes in their lives, they have an explicit responsibility to report these changes in a timely manner. When enrolling in the CalPERS health care program, members sign, and agree to the terms of the Health Benefit Plan Enrollment Form (HBD-

12), which includes certifying that the names of all dependents listed on the form are eligible family members.

Employers are then responsible for exercising due diligence in reporting changes from members to CalPERS, as well as advising CalPERS of employment changes to covered members, in a timely manner. CalPERS is responsible for confirming updated information so that health plans are providing services to eligible members only.

Members who fail to report an enrollment change in a timely manner could be liable for retroactive reimbursement to their employer of premiums in excess of six months prior to the date on which the action is processed and recorded. Employers who do not record the transaction in a timely manner will not be entitled to retroactive benefit premiums beyond six months from the date the cancellation should have been effective.

For additional information regarding the proposed changes, please refer to the attached *Frequently Asked Questions (FAQs)*. You may also access our Web site at [www.calpers.ca.gov](http://www.calpers.ca.gov) or call our CalPERS Employer Contact Center toll free at (888) 225- 7377.

**ORIGINAL SIGNED BY:**

Curtis Howard, Chief  
Office of Employer and Member Health Services

Attachment