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# Circular Letter

Special:

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

**SUBJECT: ACES Modification for New Regulations Affecting Cancellations or Discontinuance of Health Coverage due to a Reduction in Time Base**

**New Federal Law Prohibits Rescissions**

As previously stated in Circular Letter 600-067-10, dated December 22, 2010, effective January 1, 2011, a cancellation or discontinuance of health coverage due to a reduction in time base must have a prospective effective date.

CalPERS has modified the Automated Communication Exchange System (ACES) to prohibit retroactive cancellations due to a reduction in time base or hours.

**State Permanent Intermittent Employees**

State Employers who employ Permanent Intermittent employees must monitor the hours and ensure cancellations are processed timely. Reason Code 500 (Insufficient Hours) can no longer be used and has been removed from ACES.

**Effective immediately, use Reason Code 502 to cancel or discontinue health coverage for a State Permanent Intermittent employee who did not meet the required hours in a control period (See below).**

**ACES Modifications**

System changes require all State, CSU, and Contracting Agency employers to use the following procedures to prospectively cancel or discontinue health coverage due to a reduction in time base or hours:

- Reason Code 502 (Reduction in Time Base/Hours)
  - Use to cancel or discontinue health coverage for an employee who no longer qualifies due to a reduction in time base, tenure, or did not meet the required hours in a control period.
  - The effective date to cancel or discontinue health coverage **must** be a prospective date and is derived from the event date.

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**ACES  
Modifications  
(contd.)**

Reason Code 502 has been updated to reflect the following description:

| <b>Abbv Reason</b> | <b>Reason Description</b>    |
|--------------------|------------------------------|
| ReduceTB/HRS       | Reduction in Time Base/Hours |

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**ACES Error  
Messages**

ACES has been modified to ensure the cancellation or discontinuance of health coverage, due to a reduction in time base or hours, has a prospective effective date. Transactions that do not meet the criteria will not update ACES and will generate the following error messages:

ACES on-line error

“Retroactive cancellation is not allowed. Employees who no longer qualify for health enrollment due to reduction in time base or hours must be cancelled prospectively (except in cases of fraud). Use a prospective effective date or contact CalPERS in cases of fraud.”

ACES Employer Processing Detail Report error

“Employees who no longer qualify for health enrollment due to reduction in time base or hours must be cancelled prospectively (except in cases of fraud). Reprocess this transaction using a prospective effective date or contact CalPERS in cases of fraud.”

If an error message is received, reprocess the transaction with a prospective effective date or contact CalPERS in cases of fraud.

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**Questions**

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](http://www.calpers.ca.gov). If you need further assistance, please contact the CalPERS at **888 CalPERS** (or **888-225-7377**).

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Sincerely,

Donald R. Martinez, Interim Chief  
Office of Employer and Member Health Services