



Dora

Department of Regulatory Agencies

Division of Insurance

Bulletin No. B-4.77

Grace Period Considerations for Consumers, Providers, and Carriers

I. Background and Purpose

The purpose of this bulletin is to identify the considerations that carriers and providers must take into account around the issue of grace periods. There are claim payment implications for consumers; claims billing implications for providers; and payment and reimbursement implications for carriers. There is also concern around the content and timing of notifications when a consumer is found to be within a grace period. Additionally, the purpose of this bulletin is to provide carriers with sample language to be used when informing providers that a consumer has entered, or is currently within, a mandatory grace period.

Bulletins are the Division of Insurance's (Division's) interpretations of existing insurance law or general statements of Division policy. Bulletins themselves neither establish binding norms nor finally determine issues or rights.

II. Applicability and Scope

This bulletin is intended for all consumers, providers, and carriers who may find themselves affected by a premium grace period related to a health benefit plan.

III. Division Position

Colorado law provides for a thirty-one (31) day grace period for those consumers with individual or small group health benefit plans who are not receiving the Advance Payment Tax Credit (APTC) and who have missed a premium payment. Grace periods do not apply to the payment of the first month's premium.¹ Grace periods are intended to allow consumers the opportunity to bring their account current before their policy is terminated.

Federal and state law and regulations require that consumers receiving APTC be given a ninety (90) day grace period after missing a payment in which to bring their account current.² During the three (3) month grace period, carriers must cover claims incurred during the first month of the grace period, and may pend claims incurred during the second and third months of the grace period. Carriers must also give notice to providers with pended claims incurred in the second and/or third month of the policyholder's grace period that the claims may be denied if no further premium payments are received from the policyholder.³ To terminate a plan the carrier must give notice in accordance with §§ 10-16-222, 10-16-325, or 10-16-429, C.R.S.

¹ § 10-16-140(2), C.R.S.

² § 10-16-140(1), C.R.S. and 45 C.F.R. § 156.270(d)

³ Colorado Insurance Regulation 4-2-48, Section 5.C.4.

Providers continue to have the option of verifying consumer eligibility pursuant to § 10-16-704(4.5)(f), C.R.S. two (2) days prior to the delivery of services. If such verification is provided, the carrier cannot retroactively adjust that claim based on an incorrect determination of eligibility.

The Division would like to clarify that carriers must always honor and pay claims incurred during the first month of the grace period, in accordance with current Colorado Insurance regulations, regardless of whether or not the consumer is receiving APTC. Consumers are liable for the premium until the policy has been terminated in compliance with the thirty (30) day notice requirements of §§ 10-16-222, 10-16-325, and 10-16-429, C.R.S.

In order to reduce carrier confusion and to provide additional clarity around the notification requirements to providers concerning consumers who are in the grace period, the Division recommends that carriers utilize the notification language provided with this bulletin. There is nothing preventing providers from gathering the information contained in the provided notification language when contacting a carrier for eligibility verification. Once a carrier receives a claim from a provider for a policyholder who is currently within a grace period, the carrier should deliver this notice to the provider no more than five (5) business days after the receipt of the claim incurred during the grace period. The notice shall contain the following information:

- Policyholder and patient names;
- Carrier name;
- Health benefit plan policy number;
- The date the policyholder entered into a grace period;
- The length of the grace period (APTC recipient vs. non-APTC recipient);
- Which month of the grace period the policyholder currently is in;
- The date upon which the grace period will expire and the policy will be cancelled; and
- Information on the ability of the provider to collect claims costs if the policy is terminated.

If a provider receives notice that a consumer is in the second or third month of a three-month grace period, the provider may make arrangements with the consumer, prior to delivering services, to ensure that the provider receives payment for services incurred during the grace period, including, but not limited to, collection of partial or full payment from the consumer for services provided. If such an action is taken by the provider, the provider must understand that if the consumer pays all past-due premiums and the carrier pays the pended claims, the provider must refund all payments received from the consumer for services provided that exceed the consumer's responsibility, i.e. copayments, deductibles, and/or coinsurance amounts.

It should be noted that the notice contained in this bulletin should not be used if a consumer's insurance card does not contain "CO-DOI", as plans without this designation are not subject to Colorado insurance laws and regulations and are not regulated by the Division.

Carrier Grace Period Notification Template

[Carrier Header]
[Patient Name]
[Health Benefit Plan Policy Number]

[Date]

Dear [Provider Name]:

This letter serves to provide notice that [Patient Name] has entered into a grace period due to non-payment of premium.

[This patient **IS** a recipient of Federal Advance Payment Tax Credits, and therefore is entitled to an extended three (3) month grace period.]

[This patient is entitled to a thirty-one (31) day grace period.]

This consumer entered into a grace period on [DATE1]. This grace period will expire on [DATE2] if the consumer does not pay due premium, and this policy will be terminated on [DATE3].

[Carrier instruction not to be included in this letter: Date 2 shall be based upon whether or not the consumer is receiving a thirty-one (31) day grace period or three (3) month grace period. Termination date inserted above in Date 3 shall be no less than thirty (30) days after notice of termination has been sent to the consumer]

Federal and state regulations require that we pay claims incurred during the first month of a grace period.

[Insert when consumer receives APTC: Claims incurred during the second and third month may be pended, if the consumer is entitled to an extended grace period. Please note that we will pend claims incurred during the second and third month of a three (3) month grace period, until the consumer brings the account current, or we terminate coverage in accordance with state law.]

You have the ability to collect claims costs directly from the patient if the grace period expires and the coverage is terminated. You also have the ability to enter into an agreement with the patient, prior to delivering services, to ensure that you will receive payment for claims incurred during the grace period, including, but not limited to, collection of partial or full payment from the patient for services provided. If such an action is taken, you must be prepared to refund all payment received from the patient for services provided, apart from required copayments, deductibles and/or coinsurance amounts, if the past-due premium is paid and we process the pended claims.

You can contact us at [telephone number] [or review this patient's eligibility online] if you have additional questions.

[Carrier closing information]

IV. Additional Division Resources

A. For More Information

Colorado Division of Insurance
Life Accident and Health, Consumer Affairs Section
1560 Broadway, Suite 850
Denver, CO 80202
Tel. 303-894-7499
Internet: <http://www.dora.colorado.gov/insurance>

B. Additional Resources

Colorado Insurance Regulation 4-2-48

V. History

- Issued August 21, 2014