

## Timely Notification (2005 Texas Senate Bill 51) Frequently Asked Questions

Passage of the 2005 Texas Senate Bill 51 (Group Premium Payment after Employee Termination), by the 79<sup>th</sup> Texas Legislature Regular Session amended the Texas Insurance Code (TIC). This legislative change applies to all fully insured, managed care benefit plans issued, delivered, or renewed on or after **January 1, 2006**. Additionally, the legislative change applies to all individuals, employees and dependents covered under fully insured managed care benefit plans. It does not impact self-funded accounts.

Under 2005 Senate Bill 51, Group Policyholders (Employers) are responsible for employees' or insureds' premium payments from the time the employee or insured ceases to be eligible for coverage, until the end of the contract month in which the Group Policyholder notifies the HMO or insurer that the employee or insured is no longer part of the group and eligible for coverage. Additionally, Group Policyholders are required to provide coverage for the employee or insured under the policy, until the end of the contract month in which the termination notification is received by the benefit plan, carrier or insurer.

This legislation also requires insurers and carriers to have appropriate personnel available for benefit description and preauthorization of health care services for dental and vision single service HMO's.

**Please Note: These are legislative changes resulting from the passage of 2005 Texas Senate Bill 51 and not business decisions of Blue Cross and Blue Shield of Texas (BCBSTX).**

### Questions and Answers

Some of the most commonly asked questions and answers regarding 2005 Texas Senate bill 51 (also referred to herein as Timely Notification Requirements) are listed below to help you better understand the requirements of this legislation.

**Important Note: All answers related to the process and procedures provided herein by Blue Cross and Blue Shield of Texas are informational in nature and subject to change, pending updates to any Texas Department of Insurance (TDI) Regulations. For additional clarification or review of 2005 SB51, please contact your legal representative.**

### General Requirements

**Question 1** When were Timely Notification Requirements effective for fully insured groups covered by Blue Cross and Blue Shield of Texas (BCBSTX)?

**Answer 1** Timely Notification Requirements are applicable to all fully insured, managed care group policies/contracts that were issued, delivered or renewed on or after January 1, 2006.

For example, Timely Notification Requirements became effective October 1, 2006 to accounts that renewed on their October 1, 2006 anniversary dates.

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## General Requirements, Continued

**Question 2** What is the definition of “month” according to Timely Notification Requirements?

**Question 2** The Texas Department of Insurance Final Rules adopted the following definition of month: *The period from a date in a calendar month to the corresponding date in the succeeding calendar month, as provided in the group policy or contract. If the succeeding calendar month does not have a corresponding date, the period ends on the last day of the succeeding calendar month.*

BCBSTX is in compliance with this definition. Administrative Example: For accounts with First of the month billing options, a **contract month** is the period from the first day of the calendar month to the last day of the calendar month.

For accounts with 15<sup>th</sup> of the month billing options, a **contract month** is the period from the 15<sup>th</sup> day of the calendar month to the 14<sup>th</sup> day of the following calendar month.

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**Question 3** Do Timely Notification Requirements affect all BCBSTX accounts?

**Answer 3** No. Timely Notification Requirements are only applicable to fully insured, managed care lines of business. Self-insured lines of business are not affected by Timely Notification Requirements. Since the BCBSTX Point of Service (POS) product is a self-insured product, it is not impacted by Timely Notification Requirements

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**Question 4** Is BCBSTX planning to amend existing contracts and issue revised Summary Plan Descriptions (SPDs) that will reflect the extended coverage termination date?

**Answer 4** Yes. BCBSTX amended the “Termination of Coverage” articles in the existing PPO group contracts and HMO Certificates of Coverage to stipulate the Timely Notification Requirements that coverage will end on the last day of the contract month in which the group notifies BCBSTX of the loss of eligibility. In addition, the Final Rules of 2005 SB51 state that should loss of coverage occur within the last seven (7) calendar days of the month, the Group Policyholder is allowed three (3) additional days in the subsequent month, excluding weekends and legal holidays, to notify BCBSTX. BCBSTX does not issue Summary Plan Descriptions (SPDs).

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**Question 5** Will coverage documents be amended to state that coverage ends at the end of the contract month in which BCBSTX is notified of the termination or loss of eligibility?

**Answer 5** Yes. BCBSTX will amend all applicable documents to comply with Timely Notification Requirements which stipulate coverage will end on the last day of the contract month in which the Group Policyholder notifies BCBSTX of an employee termination. In addition, the Final Rules of 2005 SB51 state that should the loss of coverage occur within the last seven (7) calendar days of the month, the Group Policyholder is allowed three (3) additional days in the subsequent month, excluding weekends and legal holidays, to notify BCBSTX.

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## General Requirements, Continued

**Question 6** Do Timely Notification Requirements apply to participants covered under contracts situated in the state of Texas for Health Maintenance Organizations (HMOs) and Preferred Provider Organizations (PPOs)? Additionally, will employees of contracts situated in the state of Texas be subject to this rule regardless of their states of residence?

**Answer 6** Yes. Timely Notification Requirements amend the Texas Insurance Code (TIC) and are applicable to Group Policyholders, situated in the state of Texas, that purchased fully insured, managed health care contracts regulated by the Texas Department of Insurance (TDI). Texas issued policies/Evidences of Coverage (EOCs) apply to all enrollees or insureds covered under the Texas policy/EOC.

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**Question 7** How do Timely Notification Requirements affect customer service availability for Dental and/or Vision group policies?

**Answer 7** Timely Notification Requirements mandate that appropriate personnel be available for benefit description, eligibility confirmation and preauthorization of health care services for dental and/or vision single service HMOs between 8 a.m. and 5 p.m. Central Standard Time (CST) Monday through Friday for each day that is not a legal holiday. Additionally, single service HMOs must have telephone systems capable of accepting or recording incoming phone calls for benefit descriptions, eligibility confirmation and preauthorization of health care services after 5 p.m. Monday through Friday and all day Saturday, Sunday and on legal holidays. Responses to all accepted or recorded calls are required to be made no later than the next business day following receipt of the calls.

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**Question 8** Are employees located in the state of Texas, but covered by contracts issued in other states, subject to Timely Notification Requirements?

**Answer 8** No. Employees located in the state of Texas, but covered by contracts issued in other states are not subject to Timely Notification Requirements.

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**Question 9** Does BCBSTX offer managed care insurance policies in Texas that cover employee populations located in other states?

**Answer 9** Yes. BCBSTX offers managed care insurance policies in Texas that cover employee populations located in other states. Employees covered by such policies are subject to Timely Notification Requirements and Group Policyholders are required to adhere to the legislative requirements for their employee populations located in other states.

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**Question 10** Who can Group Policyholders contact to discuss Timely Notification Requirements?

**Answer 10** Group Policyholders may contact their State Representatives or the Texas Department of Insurance (TDI). To locate the appropriate State Representative, please use the following link to the Texas Legislature Online Web site: <http://www.capitol.state.tx.us> and select "Who Represents Me?" To contact the Texas Department of Insurance (TDI), please use the following link: <http://www.tdi.state.tx.us> or contact the TDI Help Line at 800-252-3439.

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## General Requirements, Continued

**Question 11** Has the Texas Department of Insurance released Final Rules regarding 2005 Texas Senate Bill 51?

**Answer 11** Yes. July 1, 2006, the Texas Department of Insurance released the Final Rules governing the Texas Senate Bill 51 requirements.

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**Question 12** Is the Texas Legislation documentation for 2005 Texas Senate Bill 51 available for review?

**Answer 12** The 2005 Texas Senate Bill 51 Legislation can be accessed through the Texas Legislature Online Webpage at <http://www.capitol.state.tx.us/tlodocs/79R/billtext/pdf/SB00051F.pdf>

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## Cancellation Notification

**Question 1** What options do Group Policyholders have for notifying Blue Cross and Blue Shield of Texas (BCBSTX) of employee and/or dependent terminations?

**Answer 1** The following notification options meet Timely Notification Requirements:

- Group Policyholder may cancel memberships using BlueAccess® for Employers (BAE) (*preferred method*)
- Group Policyholder may submit completed Coverage Cancellation Form to BCBSTX via U.S. mail, fax or e-mail.
- Employee may submit completed Group Enrollment Application/ Change Form via U.S. mail, fax or e-mail.
- Group Policyholder may submit cancellation request via Automated Eligibility Processing (AEP).
- Coverage Cancellation and Group Enrollment Application/Change Forms may be hand-delivered to BCBSTX.

**Note:** Verbal statements of enrollee or insured termination are not viable notification options; written cancellation requests are required. Termination notifications submitted to consultants' offices are not considered notification to BCBSTX.

Group Policyholders whose internal termination policies prohibit them from notifying BCBSTX in a manner compliant with Timely Notification Requirements are encouraged to reconsider their termination policies to avoid paying additional premiums.

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## Cancellation Notification, Continued

**Question 2** How does BCBSTX determine the receipt date of termination notices?

**Answer 2** BCBSTX determines the receipt date of termination notifications based on the following guidelines:

Reporting Method	Receipt Date
BlueAccess® for Employers (BAE)	The receipt date is the cancellation transaction date reflected in BAE.
Mail (postal service, Federal Express, UPS)	The receipt date is the date correspondence is received in the BCBSTX processing office.
E-mail	The receipt date is the transmission date of the Group Policyholder's e-mail.
Automated Eligibility Processing (AEP)	The receipt date is the date the AEP transmission is received by BCBSTX. <b>Important:</b> All outstanding no-match/discrepancy inquiries and/or necessary file corrections must be made by the date of the next file transmission; otherwise, any cancellation requests in question will be processed on the next service date following receipt of the corrected information.
Fax	The receipt date is the Group Policyholder's facsimile transmission verification date.
Written request hand-delivered to BCBSTX	The receipt date is the date BCBSTX personnel sign the delivery receipt.

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**Question 3** How are **AEP Cancellation discrepancies** managed?

**Answer 3** Below is the process for AEP discrepancy resolution:

- BCBSTX sends Discrepancy Report to Group Policyholder
- BCBSTX accepts all revised/clarified information received on the next file
- If clarification is not received by the next file date **or** if necessary revisions have not been made to the Group Policyholder's file, the cancellation date is the next service date following receipt of the corrected information.

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## Cancellation Notification, Continued

**Question 4** In the event that BlueAccess® for Employers (BAE) is not accessible, what options do Group Policyholders have for submitting enrollee or insured termination notices?

**Answer 4** In the event that BAE is inaccessible due to an unscheduled system outage, Group Policyholders have the following options for submitting termination notifications:

- U.S. Mail:  
P.O. Box 655730  
Dallas, Texas 75265-5730
- E-mail:  
An e-mail address will be provided in the system outage message for emergency cancellation submissions
- Fax Transmission:  
A fax number will be provided in the system outage message for emergency cancellation submissions
- Expedited Mail (UPS/FedEx/Courier):  
Please use physical address of Account Executive or Customer Consultant

**Please Note:** All written notifications should include account number, member identification number, member name, cancellation date, cancellation reason, and type of cancellation (e. g., subscriber, dependent, product).

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## Cancellation Guidelines

**Question 1** How are terminations administered for accounts with split funding arrangements?

**Answer 1** Each Benefit Agreement is reviewed to determine the funding arrangement and whether the product is managed care. The funding arrangement and product type determine whether Timely Notification Requirements apply to the benefit agreement.

Below are some common examples:

**Example 1:** Account offers fully insured, managed care health products alongside self-funded, non-managed care ancillary products (e. g., traditional dental, vision). When members elect both the fully insured/managed care health product and the self-funded/non-managed care ancillary product, Timely Notification Requirements apply to both coverages.

**Example 2:** Account offers self-funded health coverage alongside fully insured/non-managed care ancillary products (e. g., traditional dental, vision). When members elect both the self funded and fully insured coverages, Timely Notification Requirements will not apply to either coverage.

**Example 3:** Account offers fully insured managed care health product and self-funded health care product alongside both fully insured and self-funded non-managed care ancillary products (e. g., traditional dental, vision). With respect to Timely Notification Requirements, the self funded, non-managed care ancillary products will be treated congruently with the health product each member selects. Benefit agreements with fully insured health products are subject to Timely Notification Requirements. Those with self-funded health products are not.

**Example 4:** Account offers fully insured managed care health product and self-funded health care product alongside fully insured and self-funded non-managed care ancillary products (e. g., traditional dental, vision). When members select only the non-managed care coverages, Timely Notification Requirements will not apply.

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## Cancellation Guidelines, Continued

**Question 2** How do Timely Notification Requirements affect the termination of employees who may have both freestanding dental and medical coverage?

**Answer 2** For employees with both freestanding dental and medical coverage, the funding arrangement and product type of the medical coverage determine whether or not Timely Notification Requirements apply.

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**Question 3** How are coverage terminations administered for employees who become deceased?

**Answer 3** Timely Notification Requirements mandate that the Group Policyholder continue to provide coverage for the employee and the employee's eligible dependents already on the existing policy until the end of the contract month in which the carrier is notified to terminate coverage.

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**Question 4** Why are employees or employee's dependents terminated on the last day of the contract month during which notification is received rather than on the actual requested termination date?

**Answer 4** Timely Notification Requirements mandate that the Group Policyholder provide coverage for the employee and the employee's eligible dependents already on the existing policy until the end of the contract month in which the carrier is notified to terminate coverage. This legislation is effective for accounts issued, delivered or renewed on or after January 1, 2006.

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**Question 5** When an employee is terminated from a Group Policy, will the employee's dependent coverage be terminated on the same date?

**Answer 5** Yes. The date an employee's policy ceases will be the last date of coverage for any dependents on the same policy.

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**Question 6** Can a Group Policyholder change employees' or dependents' termination dates to reflect retroactive termination dates?

**Answer 6** No. Timely Notification Requirements mandate Group Policyholders to provide coverage for employees and their eligible dependents already on the existing policy until the end of the contract month in which the carrier is notified to terminate coverage. This legislation is effective for accounts that issued, delivered or renewed on or after January 1, 2006.

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## Cancellation Guidelines, Continued

**Question 7** Are odd-day termination options available for fully insured, managed care Group Policyholders?

**Answer 7** No. In compliance with Timely Notification Requirements, effective January 1, 2006, BCBSTX no longer offers odd-day termination options to new or renewing, fully insured Group Policyholders.

For Group Policyholders with 1st of the month billing contracts, employee cancellations occur on the last day of the contract month in which The Group Policyholder notifies BCBSTX of the employee termination. Premium should be paid accordingly.

For Group Policyholders with 15th of the month billing contracts, employee cancellations occur on the 14th day of the contract month following the month in which the Group Policyholder notifies BCBSTX of the employee termination. Premium should be paid accordingly.

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**Question 8** If an employee terminates employment on September 26 and the Group Policyholder provides notification to a consultant or third party administrator (TPA) on September 30, and BCBSTX receives the termination notice from the consultant or TPA on October 3, what will be the effective date of cancellation?

**Answer 8** The coverage cancellation date will be October 1, based on 2005 SB51 Final Rules released on July 1, 2006. When an employee terminates within the last seven (7) calendar days prior to the end-of-the-month, the Group Policyholder will be deemed to have notified the health carrier (BCBSTX) in the month in which the individual or enrollee ceases to be part of the group, **if** the health carrier receives notification within the first three (3) days of the subsequent month, not including Saturdays, Sundays, and legal holidays.

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**Question 9** Is there a grace period for New Accounts or Accounts with newly acquired employees that mistakenly enroll an initial applicant or newly acquired employee? Are these Group Policyholders able to cancel that employee's membership upon identification of the error?

**Answer 9** Yes. New or existing Group Policyholders that add new enrollees or newly acquired employees as the result of acquisitions may retroactively cancel enrollees added in error provided they notify BCBSTX within 30 days of the date the first bill was mailed. Such enrollees will be cancelled as never effective.

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**Question 10** Are Group Policyholders required to provide BCBSTX with proof of continued health benefit coverage when employees opt for health coverage under successor health plans?

**Answer 10** Yes. Group Policyholders are required to provide BCBSTX with documentation that an enrollee or insured has obtained successor coverage and that there is no gap in coverage.

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## Cancellation Guidelines, Continued

**Question 11** How do Timely Notification Requirements affect retirees electing successor coverage?

**Answer 11** Group Policyholders providing retiree coverage are required to provide coverage for enrollees or insureds and their dependents until the end of the Contract Month in which retirees transfer to Medicare or an other successor plan. Group Policyholders may not be liable for premium payments provided they submit documentation clearly indicating there has been no gap in coverage.

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## Billing

**Question 1** How will premium requirements be administered when cancellation date discrepancies exist?

**Answer 1** Unpaid premiums for ineligible enrollees or insureds of which BCBSTX was not notified during the contract month in which the enrollee or insured was terminated, may be considered delinquent. Timely Notification Requirements mandate that Group Policyholders are responsible for premiums from the time an enrollee or insured ceases to be eligible for coverage until the end of the contract month in which the Group Policyholder notifies the carrier that the enrollee or insured is no longer part of the group and eligible for coverage. Non-payment of premiums may result in delinquent status and additional billing for unpaid premiums.

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**Question 2** Are Group Policyholders responsible for dependent premiums when employees are terminated?

**Answer 2** Yes. Group Policyholders are responsible for any premium associated with an employee's premium requirements for the contract month in which BCBSTX is notified of the employee's termination.

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**Question 3** If an employee leaves an employer without notice, why is the Group Policyholder responsible for the employee's share of the premium?

**Answer 3** Timely Notification Requirements mandate that Group Policyholders are responsible for premium payments from the time an employee ceases to be eligible for coverage until the end of the contract month in which the Group Policyholder notifies the carrier that the employee is no longer part of the group and eligible for coverage.

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**Question 4** If an employee leaves work on the afternoon of Friday September 30, does not return to work, and the Group Policyholder's termination policy deems termination to officially occur only after 4 days of absence, is premium still due for October?

**Answer 4** Yes. Timely Notification Requirements mandate that Group Policyholders are responsible for premiums from the time an enrollee or insured ceases to be eligible for coverage until the end of the contract month in which the Group Policyholder notifies the carrier that the enrollee or insured is no longer part of the group and eligible for coverage.

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## Billing, Continued

**Question 5** A Group Policyholder's anniversary date is October 1. On October 3, the Group Policyholder submits a change form to BCBSTX to cancel an employee who transitioned to another carrier during open enrollment. The requested effective date of cancellation is October 1<sup>st</sup>. Will BCBSTX cancel the employee effective October 1, or will the Group Policyholder be required to pay premiums to both carriers for the entire month of October?

**Answer 5** The effective date of cancellation would be October 1. If an individual or an enrollee ceases to be part of a group eligible for coverage within seven (7) calendar days prior to the end of the month, the Group Policyholder is deemed to have notified the health carrier in the month in which the individual or enrollee ceases to be part of the group, **if** the health carrier receives notification within the first three (3) days of the subsequent month, not including Saturdays, Sundays, and legal holidays. Also, in this example, the employee has successor coverage with no gap in coverage.

For additional details on this legislation, please visit the Texas Legislature Web site: <http://www.capitol.state.tx.us>

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**Question 6** If an employee, carrying dependents on his/her policy dies on September 30, and BCBSTX receives a termination notice from the Group Policyholder on October 6, is the Group Policyholder required to pay the employee and dependent premiums through October 31?

**Answer 6** Yes. Timely Notification Requirements mandate that the Group Policyholders are responsible for premium payments from the time the employee, including any eligible dependents already on the policy, ceases to be eligible for coverage until the end of the contract month in which the Group Policyholder notifies the carrier that the employee is no longer part the group and eligible for coverage.

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## COBRA

**Question 1** How do Timely Notification Requirements impact COBRA?

**Answer 1** Timely Notification Requirements do not impact current COBRA administration for BCBSTX; however, if a Group Policyholder does not notify BCBSTX of an enrollee's or insured's eligibility loss, the effective date of COBRA continuation coverage may be impacted.

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**Question 2** Are retroactive cancellations due to COBRA qualifying events compliant with Timely Notification Requirements?

**Answer 2** No. Timely Notification Requirements mandate Group Policyholders to provide coverage for employees and/or their eligible dependents already on the existing policy until the end of the contract month in which the carrier is notified to terminate coverage. This legislation is effective on each Group Policyholder's effective or renewal date occurring on or after January 1, 2006. Effective January 1, 2006 BCBSTX ceased processing retroactive membership terminations for new and renewing Group Policyholders, in compliance with Timely Notification Requirements.

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## COBRA, Continued

- Question 3** Are retroactive COBRA Coverage cancellations impacted by Timely Notification Requirements?
- Answer 3** No. Timely Notification Requirements only impact the original cancellation date from the group plan. They have no bearing on the COBRA administration processes used to cancel COBRA coverage as mandated by federal legislation.
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- Question 4** Will the extended coverage period mandated by Timely Notification Requirements reduce the COBRA continuation periods of 18, 29 or 36 months?
- Answer 4** No. The extended coverage period will not reduce the 18, 29 or 36 month continuation periods for COBRA. The federal guidelines used to administer COBRA will define the effective date of COBRA and the length of the continuation period.
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- Question 5** Have COBRA Administration processes been developed to manage the differing qualifying event dates for employees covered by self-insured and fully insured plans?
- Answer 5** No. Timely Notification Requirements only impact the original cancellation date from the group plan. They do not impact the federally mandated COBRA administration process used to determine the effective date of COBRA coverage. The federal guidelines used to administer COBRA will continue to define the effective date of COBRA and the length of the continuation period.
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- Question 6** If an employee terminates employment on September 30, BCBSTX receives the termination notification on October 13, cancels the membership effective November 1, and the employee elects COBRA coverage on November 15 (within the federally mandated election period), will COBRA be effective November 1 (the billing date following termination) for the federally-mandated 18 months of coverage?
- Answer 6** Yes. BCBSTX will process COBRA coverage in accordance with federal legislation. The COBRA effective date will be November 1 and the employee will continue to be COBRA-eligible for the 18 month period from 11/1/07 through 5/1/09.