

**COMMONWEALTH OF KENTUCKY
DEPARTMENT OF INSURANCE**

**AFFORDABLE CARE ACT
IMPLEMENTATION UPDATE
APRIL 7, 2014**

The purpose of this document is to provide health insurers that offer individual health benefit plans in Kentucky on or off kynect with guidance from the Department of Insurance (DOI) for implementing a premium payment threshold policy. This Guidance is not legally binding on the Department or the reader.

**GUIDANCE REGARDING
PREMIUM PAYMENT THRESHOLD**

The Department has been asked whether insurers may utilize premium payment thresholds to both effectuate enrollment and maintain coverage when enrollees tender premium payments less than the total portion of the premium owed by the enrollee, but more than a predetermined threshold amount. This situation occurs most often when enrollees transpose payment numbers or round down to whole dollar amounts.

In considering this question, the DOI reviewed KRS 304.12-090, 304.12-110, 304.17A-243, and federal requirements regarding mandatory grace periods for those receiving advance premium tax credits. The DOI will permit insurers to utilize a premium payment threshold that would allow for the enrollment of individuals and the continuance of coverage for individuals that have paid less than the full premium owed, provided:

- The amount the individual has paid is at or above the defined threshold;
- The unpaid balance is still due from the insured, and is added to the premium owed by the insured for the following month; and
- Subsequent premium payments received by the insurer are first applied to the unpaid balance due for the insured and then applied to the current month's premium.

While DOI will allow insurers to develop in accordance with this guidance the premium payment threshold that best meets their business needs, DOI recommends defining the threshold as a percentage of the total portion of the premium owed by the enrollee. This facilitates fairness between classes of insureds and simplifies application to future premium increases. DOI suggests a percentage of 95% or above, which is consistent with the proposed threshold recommended by the Center for Medicare & Medicaid. (*Federally Facilitated Marketplace Enrollment Operational Policy & Guidance* (at page 14, draft version, October 3, 2013).

- 12/10/2013** - Individual enrolls in Plan. His portion of the premium is \$100.00. The Premium Payment Threshold is \$95.00.
- 12/16/2013** - Insurer issues bill to Enrollee for January premium for \$100.00.
- 12/28/2013** - Enrollee pays \$97.00 for January coverage.
- 01/01/2014** - Because the payment tendered exceeded the threshold amount of \$95.00 enrollee's coverage is effectuated.
- 01/16/2014** - Insurer issues bill to Enrollee for February premium of \$100.00 and past due January premium of \$3.00 (\$103.00 total).
- 02/01/2014** - Enrollee pays \$97.00. \$3.00 is applied to the unpaid January balance. \$94.00 is applied against the February premium. Since the payment applied to February's premium (\$94.00) was less than the threshold amount (\$95.00) the grace period begins to run. *[Had the Enrollee paid \$98.00 he would have avoided commencement of the grace period]*
- 02/16/2014** - Insurer issues bill to Enrollee for March premium of \$100.00 and past due February premium of \$6.00 (\$106.00 total).
- 03/01/2014** - No payment received.
- 03/16/2014** - Insurer issues bill to Enrollee for April premium of \$100.00, March premium of \$100.00 and past due February premium of \$6.00 (\$206.00 total).
- 04/01/2014** - No payment received.
- 04/16/2014** - Insurer issues bill to Enrollee for March premium of \$100.00; April premium of \$100.00; May premium of \$100.00; and past due February premium of \$6.00 (\$306.00 total).
- 04/25/2014** - Enrollee pays \$202.00. \$6.00 is applied to February's unpaid balance. \$100.00 is applied to March's unpaid balance. \$96.00 is applied to April's unpaid balance. Grace period continues to run.

04/30/2014 - No payment received. The enrollee's coverage is terminated effective February 28, 2014. *[Had Enrollee paid \$99.00 on this date the grace period would have ended with Enrollee's coverage intact]* *Federally Facilitated Marketplace Enrollment Operational Policy & Guidance* (at pages 14, 15, draft version, October 3, 2013).