intheloop connecting the enrollment community

Grace Periods

One of the Affordable Care Act's (ACA) consumer protections is an extended "grace period" that ensures continued coverage for consumers who receive Advanced Premium Tax Credits (APTCs) while they catch up on overdue premium payments. This fact sheet explains what grace periods are and how they work.

(Updated July 2018)

WHAT IS A GRACE PERIOD?

A grace period is the period of time an insurer allows a consumer to catch up on missed premium payments while maintaining coverage. Grace periods generally last 30 or 31 days, as provided by state law or regulation. (Check with your state's department of insurance.)

However, federal regulations require insurers in all marketplaces (federal, partnership, and state-based) to provide a three-month grace period to consumers who fail to pay their share of the monthly premium if they (1) are enrolled in a Qualified Health Plan (QHP) and receive APTCs; *and* (2) have paid their full share of at least one month's premium.

Insurers must pay all appropriate claims for services during the first month of a grace period but may withhold payment for services received during the second and third months so long as they notify providers that claims may be denied during this period.

At the end of the three-month grace period, if the consumer has not paid all premiums due for the grace period, the insurer must terminate coverage retroactive to the last day of the first month of the grace period and promptly notify the consumer.

Termination of coverage for failure to pay does not trigger a special enrollment period, and insurers may refuse to re-enroll a consumer in coverage until the consumer pays all outstanding debt from the previous 12 months. When a consumer has been terminated for non-payment of premiums, this generally means an insurer can deny coverage until the consumer has paid the premium for the first month of the grace period.

CAN CONSUMERS WHOSE COVERAGE WAS TERMINATED AT THE END OF A GRACE PERIOD ENROLL IN COVERAGE AT A LATER TIME?

Although termination for failure to pay does not trigger a special enrollment period, consumers whose coverage was terminated at the end of a grace period can apply for coverage during open enrollment or special enrollment periods for which they are otherwise eligible.

As of June 19, 2017, insurers in the Federally-Facilitated Marketplace (FFM) may refuse enrollment until a consumer pays any outstanding debt owed to that insurer, or an insurer from the same "controlled group,"[1] for coverage under the same or different product from the 12 months preceding the effective date of the new coverage.

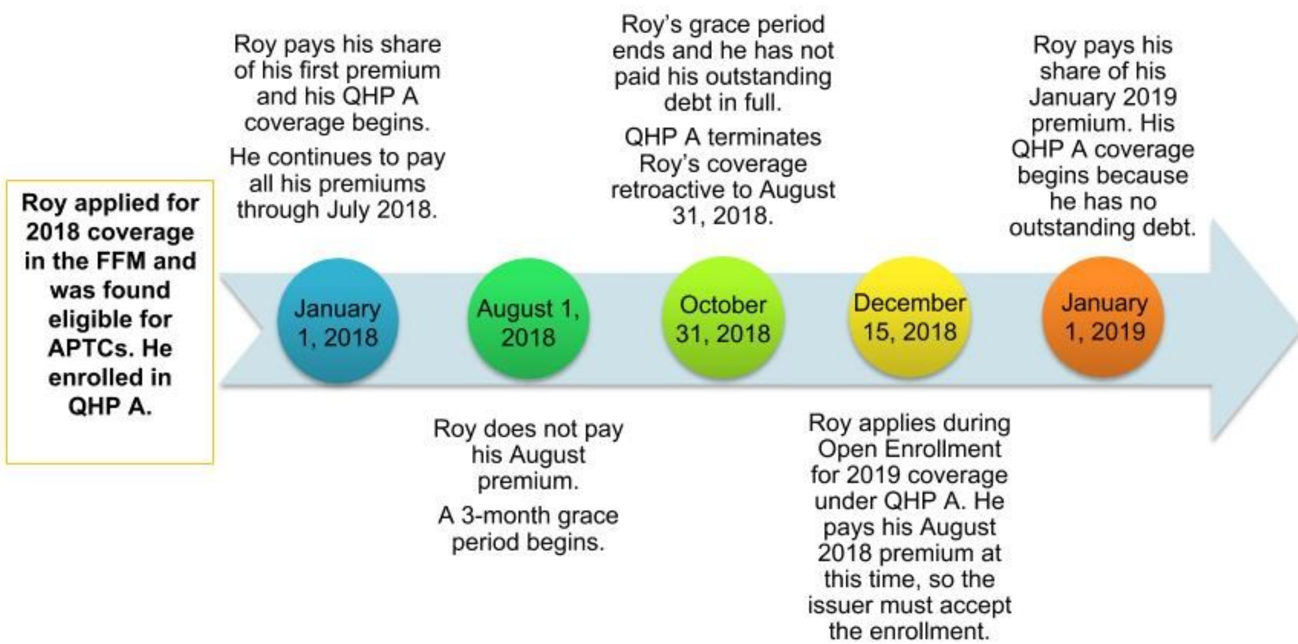
Insurers may apply new premium payments to debts from the last 12 months. Insurers adopting this policy must clearly describe, in any enrollment application materials and in any notice regarding non-payment of premiums, the consequences of non-payment on future enrollment.

The change in interpretation of the guaranteed availability requirement took effect on June 19, 2017, and applies only to past due premium debt acquired after that date.

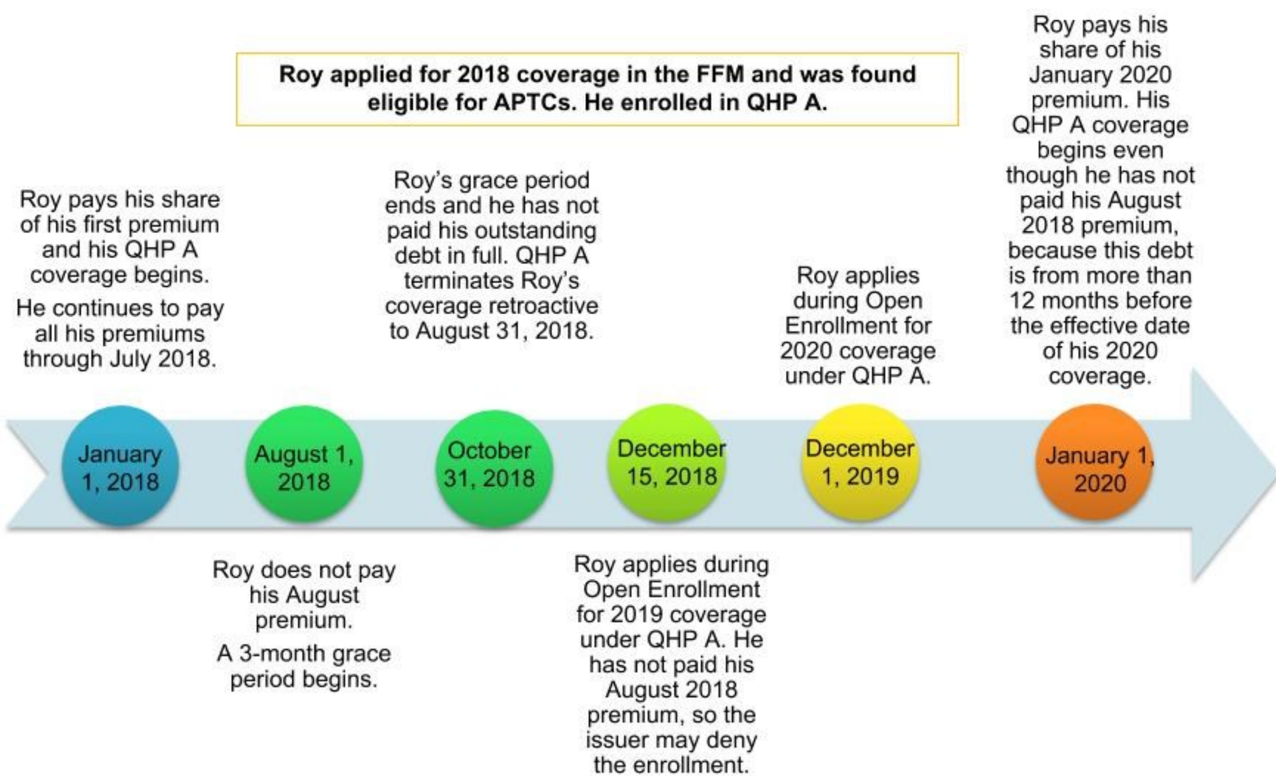
In the Loop is a joint project of

Community Catalyst NHeLP National Health Law Program

Example 1. Roy applied for 2018 coverage in the FFM and was found eligible for APTCs. He enrolled in QHP A.



Example 2. Roy applied for 2018 coverage in the FFM and was found eligible for APTCs. He enrolled in QHP A.



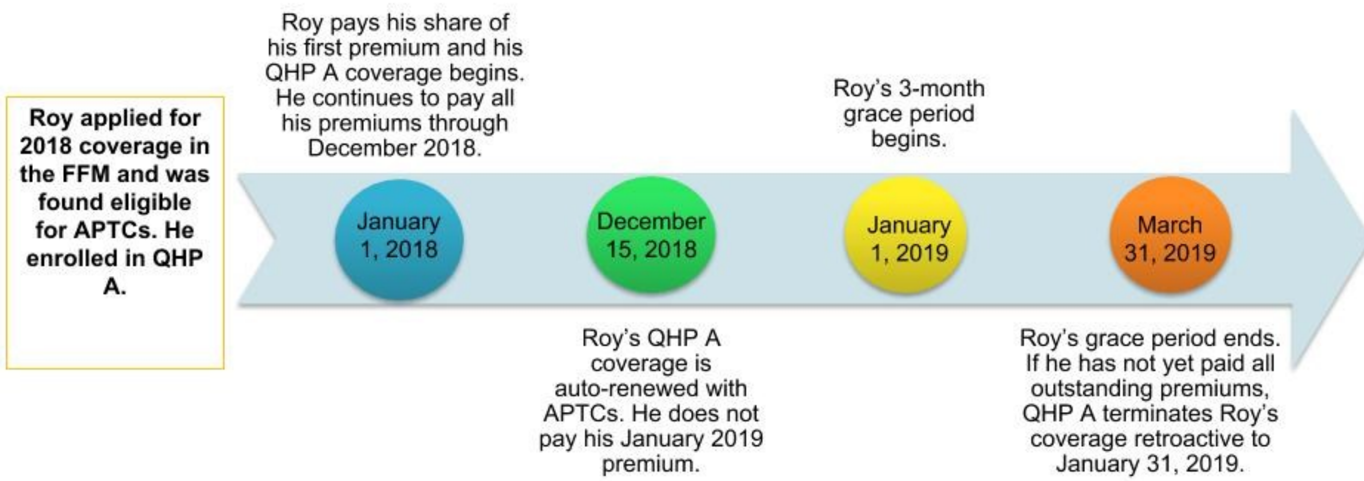
DO RENEWING CONSUMERS GET A GRACE PERIOD IF THEY DO NOT PAY THEIR JANUARY PREMIUM?

If a consumer's coverage is renewed for the next year with APTCs (either actively or passively) and he fails to pay his January premium, a three-month grace period will begin on January 1. This is because, unlike with new enrollments, insurers in the FFM are not required to collect the first month's payment (a.k.a. a binder payment) to effectuate renewed coverage. State-Based Marketplaces (SBMs) may have different rules. Here is an example of how this works in the FFM:

Note that if Roy did not renew coverage in the same QHP but instead actively chose a different plan, that

Example 3. Roy applied for 2018 coverage in the FFM and was found eligible for APTCs. He enrolled in QHP A.

would not be considered a renewal. The grace period would therefore not apply until he pays his share of at least one month's premium (his binder payment).



WHAT HAPPENS IF A CONSUMER IS IN A GRACE PERIOD THAT SPANS BENEFIT YEARS?

Some consumers may be in a previous year's grace period in January or February if their three-month grace period began in November or December. For example, a consumer who receives APTCs but who did not pay his November 2017 premium would enter a 3-month grace period beginning November 1, 2017.

If he renews coverage for 2018--that is, applies for coverage under the same QHP--the issuer must accept the renewal because the consumer is still in a grace period. The consumer would have until January 31, 2018 to catch up on unpaid premiums. If he does not catch up, his 2018 coverage will be terminated and his 2017 coverage will be cancelled retroactively to November 30th, making the consumer responsible for any costs incurred in December and January.

If the consumer enrolls in a different QHP for 2018 that is offered by the *same issuer* as his 2017 coverage, or an issuer in the same controlled group, the issuer may deny enrollment until he pays all outstanding debt from his prior coverage.

If the consumer enrolls in a QHP for 2018 that is offered by a different issuer, or an issuer not in the same controlled group, the issuer may not deny enrollment on the basis of previously unpaid premiums.

Example 4.

CHART 4

What happens if a consumer is in a grace period that spans benefit years?

January 1, 2018: Roy pays his share of his first premium and his QHP A coverage begins. He continues to pay all his premiums through October 2018.
November 1, 2018: Roy does not pay his November 2018 premium. His 3-month grace period begins.

SCENARIO 1:

- December 15, 2018: Roy renews coverage in QHP A. The issuer must accept the renewal for 2019 coverage because Roy is still in a grace period.
- January 31, 2019: Roy's grace period ends. If he has not paid his November, December, and January premiums, QHP A terminates Roy's coverage retroactive to November 30, 2018. His 2019 coverage is also terminated, and any payment he made towards his January 2019 premium can be applied to his unpaid premiums from 2018.

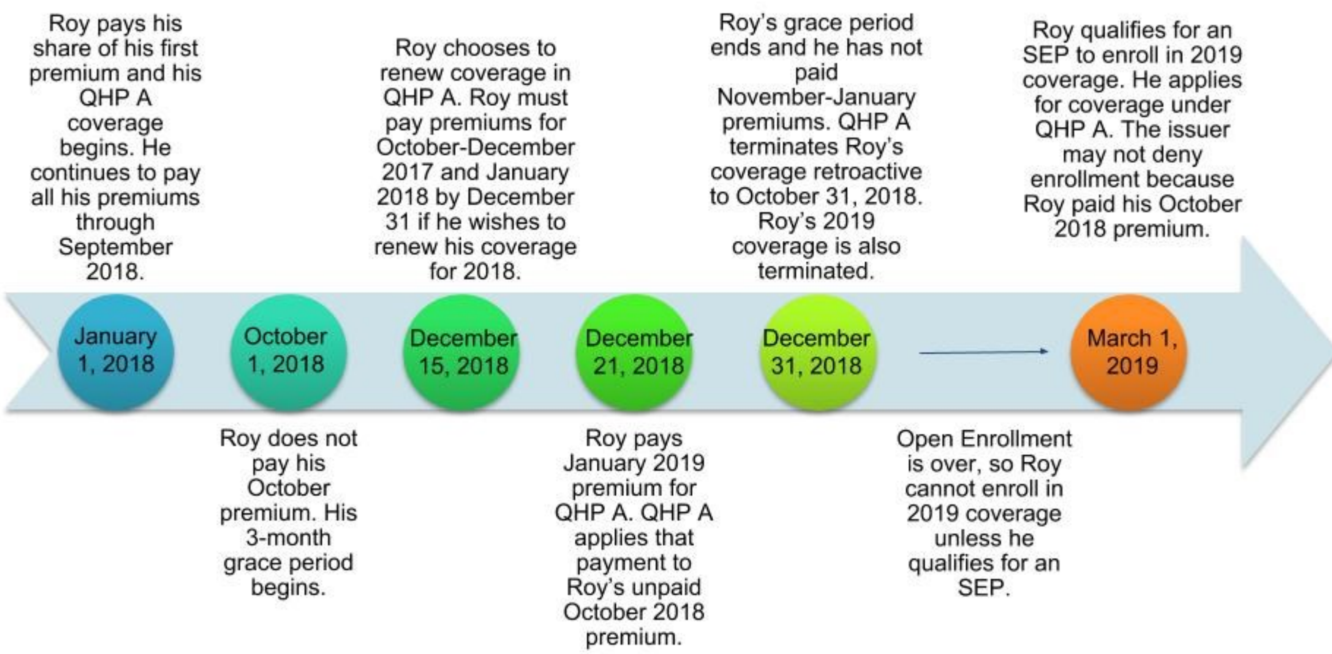
SCENARIO 2:

- December 15, 2018: Roy applies to enroll in QHP B. If QHP B is offered by the same issuer as QHP A, the issuer may deny enrollment until Roy pays all outstanding debt from his prior coverage. If the issuer accepts his renewal, any payment he makes towards his January 2019 premium can be applied to his unpaid premiums from 2018. If QHP B is not offered by the same issuer, the issuer must accept the enrollment.

WHAT HAPPENS IF A CONSUMER IS IN A GRACE PERIOD THAT ENDS ON DECEMBER 31?

The consumer must pay premiums for October-December 2018, as well as her January 2019 premium, by December 31 if she wishes to renew her coverage for 2019. If she does not pay all premiums by December 31, the 2018 plan will be terminated effective October 31 and the new plan will be cancelled effective January 1, 2019. The issuer may apply the January 2019 premium payment to the outstanding October 2018 premium. If the consumer catches up on her 2018 premium payments and pays her January 2019 premium by the end of the grace period (December 31), her coverage would not be terminated and her renewed policy would be active on January 1, 2019.

Example 5. Roy applied for 2018 coverage in the FFM and was found eligible for APTCs. He enrolled in QHP A.



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FOOTNOTE:

[1] The term controlled group means a group of two or more persons that is treated as a single employer under sections 52(a), 52(b), 414(m), or 414(o) of the Internal Revenue Code of 1986, as amended, or a narrower group as may be provided by applicable State law. This is the same definition used for other purposes related to the guaranteed availability provision at 45 CFR §147.106(d).