

Health Coverage Effectuation, Grace Periods, and Terminations

This job aid provides information and guidance for Navigators, Certified Application Counselors (CACs), and Enrollment Assistance Personnel (EAPs) (collectively, assisters) when helping consumers understand health coverage effectuation, grace periods, and terminations.

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Version 1.0. June 2024. This information is intended only for the use of entities and individuals certified to serve as Navigators, certified application counselors, or non-Navigator assistance personnel in a Federally-facilitated Marketplace. The terms “Federally-facilitated Marketplace” and “FFM,” as used in this document, include FFM where the state performs plan management functions. Some information in this manual may also be of interest to individuals helping consumers in State-based Marketplaces and State-based Marketplaces using the Federal Platform. This material was produced and disseminated at U.S. tax filer expense.

Premium Payments

Once a consumer enrolls in a Marketplace plan, they will pay premiums directly to the insurance company — not to the Health Insurance Marketplace®.¹ The insurance company handles all financial transactions that consumers need to make related to their Marketplace coverage.

When a consumer selects an individual market health plan at HealthCare.gov, the My Plans & Programs screen will display a link to the plan's website or will provide contact information so that the consumer can contact the plan directly with any specific questions about making premium payments or payment deadlines.

Insurance companies handle payments differently:

- Online premium payment is optional, and not every health insurance company offers online payment.
- The insurance company must present all payment method options equally and allow a consumer to select their preferred payment method.
- Insurance companies may accept the initial premium payment by a method that's exclusive to that payment. For example, online payment ("payment redirect") may allow payment of the initial month's premium by credit card, even though the health insurance company doesn't accept credit cards as a method of payment for regular, monthly premiums.
- Premium payment method options must not improperly discriminate against any consumer or group of consumers. Insurance companies may not offer a discount on premiums to individuals who elect a specific type of premium payment method (like EFT).
- Insurance companies may not apply additional fees to a consumer based on payment method.

For a step-by-step review of premium payments, refer to the *Making a Health Plan Premium Payment* microlearning module.

Payment Effectuation

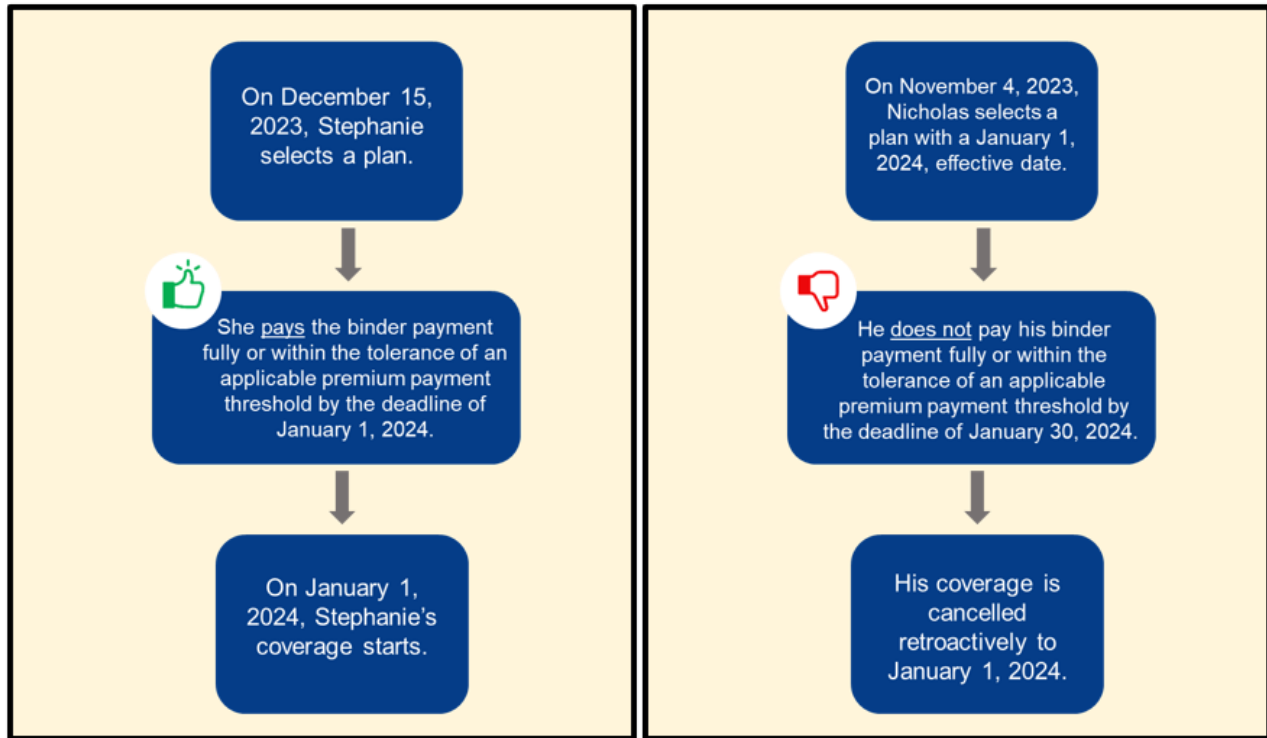
Consumers must pay their binder payment (often the first month's premium) for enrollment to be effectuated (i.e., the policy is active). The deadline to make the binder payment to effectuate enrollment must be:

- No earlier than the coverage effective date.
- No later than 30 calendar days from the coverage effective date.

Note: These deadlines are for regular coverage effective dates, as special effective dates have a different range of deadlines.

Many insurance companies adhere to a “threshold” payment policy. This policy allows a consumer to make a binder payment that is less than the premium, but greater than the “threshold” amount, usually 95 percent.

Figure 1 - Binder Payment and Effectuation



Coverage Cancellation

If a consumer misses any premium payments after the first month’s premium, the insurance company may cancel their enrollment unless a grace period for nonpayment of premiums applies. (Refer to Grace Periods for more information.)

A cancellation usually occurs before the coverage effective date. Cancellation may be initiated by:

- The consumer, voluntarily.
- The insurance company when a binder payment is not made by the payment deadline.

In certain circumstances, a free-look exception allows an enrollee to retroactively cancel coverage within a certain period of time, following existing state-specific guidelines.

Grace Periods

A grace period is an extension set by state or federal rules that gives enrollees with effectuated coverage additional time to pay the portion of the monthly health insurance premiums for which they are responsible before the coverage is terminated for non-payment of premium.

The grace period is usually **3 months** if a consumer has a Marketplace plan and qualifies for a premium tax credit (PTC); and has already paid at least one full month's premium during the benefit year

- The grace period starts the first month an enrollee fails to pay, even if they make payments for following months.

Enrollees not receiving an Advance Payment of the Premium Tax Credit (APTC) when they first fail to timely pay premiums have a grace period determined by state rules.

- Consumers should contact their state Department of Insurance for state-specific information on grace periods for enrollees not receiving APTC.

During the first month of a three-month grace period for enrollees receiving APTC, the insurance company must pay all appropriate claims for services rendered to the enrollee. During the second and third months of the grace period for enrollees receiving APTC, the insurance company may pend claims for services rendered, if permitted by state law.

If an enrollee fails to pay all outstanding premiums or an amount that satisfies any applicable premium threshold before the end of the grace period the insurance company will terminate the enrollee's coverage for non-payment of their premium, effective on the last day of the first month of the grace period. The insurance company will deny any claims that were pended during the second and third months of the three-month grace period.

Termination for Non-payment of Premiums

End of Grace Period

If enrollees do not pay all outstanding premium amounts or an amount sufficient to satisfy any premium payment threshold before the end of the applicable grace period, the insurance company will terminate the enrollee's coverage for non-payment of premiums.

Note: A grace period does not "reset" when an enrollee makes a partial payment.

When an enrollee's coverage is terminated for non-payment of premiums, the consumer does not qualify for a Special Enrollment Period (SEP) for the resulting loss of minimum essential coverage (MEC). An enrollee who is eligible for but elects not to receive APTC is not eligible for a three-month grace period, but they are eligible for the grace period required by the enrollee's state for consumers who fail to timely pay their premiums.

An enrollee can appeal an insurance company's decision if they believe their coverage was wrongly terminated. A consumer has the right to appeal all terminations or failure to provide or

make payments (in whole or in part) for a benefit, including rescissions. However, terminations are not appealable to the Marketplace.

For more information about coverage appeals, refer to [CMS.gov/marketplace/technical-assistance-resources/appeal-help/appeal-decision.pdf](https://www.cms.gov/marketplace/technical-assistance-resources/appeal-help/appeal-decision.pdf).

Re-enrollment After Coverage is Terminated

Consumers whose previous coverage was terminated due to nonpayment of premiums can enroll in coverage, if otherwise eligible, during the Open Enrollment Period (OEP). Consumers can receive a new eligibility determination and, if eligible, enroll in a Marketplace plan for the next plan year. Consumers with grace periods expiring at the end of the current plan year and who actively complete a plan selection for the upcoming plan year during the OEP may enroll in new coverage in certain scenarios, if otherwise eligible.

Some consumers may experience a gap in coverage if:

- They select a different plan through a different insurance company during the OEP and pay their binder payment, so the new coverage is effectuated January 1; and
- Their previous coverage was terminated effective prior to January 1.

If consumers aren't enrolled in Marketplace coverage in mid-December, they aren't eligible to be automatically re-enrolled by the FFM for the following year. Enrollees with grace periods expiring on December 31 or extending beyond the current plan year may still be eligible for auto-re-enrollment in a plan for the upcoming plan year.

Prohibition to Condition New Enrollment on Payment of Past-due Premium

Issuers may not condition new enrollments on payment of past-due premiums or attribute premium payments for new coverage to past-due premiums owed to the issuer (or another issuer in the same controlled group).ⁱⁱ If an enrollee's coverage is terminated by an issuer for non-payment of premiums, and the former enrollee subsequently re-enrolls with that same issuer (either through an SEP or the annual OEP), the issuer must effectuate the former enrollee's coverage and may not attribute to the outstanding premium owed any payments made by the former enrollee towards the new coverage.

Outstanding premium owed by the enrollee is not forgiven, however, and issuers may attempt to collect the premium owed by enrollees whose coverage has been terminated due to non-payment of premiums.

Reminder: Consumers do not qualify for the loss of minimum essential coverage SEP if their coverage ends due to non-payment of premiums.

Assister Tips

When working with consumers, it is important to keep the following tips in mind.

When Assisting Consumers with Premium Payments:

- Keep any financial information that consumers share with you private and secure:
 - Assure consumers that you will protect any financial information consumers share with you and that the FFM doesn't collect their financial information because the consumer will make their payments directly to the health insurance company of the plan they selected.
 - Turn computers toward consumers to keep their information private (if in-person).
 - Ask consumers to enter their own financial information.
 - Don't enter consumers' payment methods (like credit card information) on their behalf unless the consumer specifically requests help
- Remind consumers they must continue to pay premiums every month of the year to stay covered.
- Advise consumers to check their online account to determine if their health insurance is active. (Remind them that their start date depends on when they enrolled in or changed plans.)
- Assisters and consumers may want to contact their state's Department of Insurance for more information on grace periods based on state rules

Resources

[Health Plan Coverage Effectuation: Payments, Grace Periods, and Terminations](#)

[Application Walkthrough Microlearning Module: Helping Consumers Enroll in Marketplace Coverage](#)

[Post-enrollment Assistance: Making Health Plan Premium Payments \(cms.gov\)](#)

ⁱ Health Insurance Marketplace® is a registered service mark of the U.S. Department of Health & Human Services

ⁱⁱ <https://www.govinfo.gov/content/pkg/FR-2022-05-06/pdf/2022-09438.pdf>