



January 10<sup>th</sup>, 2011

### **IMPORTANT NOTICE REGARDING NEW RETROACTIVE CANCELLATION REQUIREMENTS**

As the third-party administrator of Business Health Trust, we want to let you know that we are making a process change to employee and dependent terminations.

A new requirement under federal health care reform legislation prohibits group health plans (your plan) and medical insurers from cancelling members' coverage back to a prior date (e.g. rescinding coverage retroactively) except in cases of fraud, intentional misrepresentation of material fact, or unless certain other conditions have been met. This requirement is effective March 1<sup>st</sup>, 2011 for participants in Business Health Trust.

If you previously requested that we retroactively cancel the coverage of one of your employees (such as emailing the request or marking up your bill), the medical insurer would generally carry out your request as long as it was received within a reasonable timeframe of your most recent bill. In those cases, the coverage would have ended on your requested effective date, and you would be responsible for the associated premium through the cancellation date.

#### **New information to be included with your Request for Cancellation**

Going forward, the medical insurer is unable to carry out your requests to retroactively cancel coverage for your employees unless it is confirmed that all the required federal health care reform conditions have been met. In the rare case where you would like to retroactively cancel coverage because you believe that there has been fraud or intentional misrepresentation of material fact, we will request that you first send us the relevant evidence of fraud or misrepresentation.

In our experience, the more common reason our groups usually request that we retroactively cancel members' coverage is because of an administrative delay in the group notifying us of cancellations that occur in the normal course of business. When that happens, those retroactive cancellations may be acceptable as long as (1) the plan covers only active employees (or those on COBRA), (2) the employee or member has paid no premium for coverage after the effective date of the cancellation, and (3) the employee or member had no expectation of coverage after the requested effective date of cancellation. Because you are in a position to know whether conditions (2) and (3) have been met, we are asking that you communicate that additional information to us in one of the following ways:

- **By indicating on the add/change form included with your bill.** This form has been revised to allow you to confirm that the appropriate conditions have been met for any members that you are requesting us to retroactively cancel.
- **By sending us the necessary information via e-mail or fax.** Again, we will need to confirm the appropriate conditions have been met so any incomplete request will be followed up with a request to verify conditions are met.

If we have received your confirmation and all the additional requirements have been met, the earliest termination date allowable is the last day of the month prior to your request.

If you request a retroactive cancellation but do not indicate that the required federal health care reform conditions have been met, we will not be able to retroactively cancel the member's coverage due to a delay in administrative recordkeeping. Instead, we will cancel the member effective on the last day of the month during which the request was received. Any premiums associated with the coverage for that entire period will be charged to the account. Once we process a member's cancellation, we will not be able to change that member's effective cancellation date to an earlier date (e.g. "undo" an earlier cancellation), even if you subsequently indicate to us that the requirements have been met.

We strive to make these changes as clear as possible in order to avoid disrupting your normal process for communicating terminations to us. In most cases, we simply need additional confirmation, through your signature at the bottom of the conditions statement, that the additional conditions have been met. We appreciate your attention to these important changes and look forward to continuing to serve you, your employees, and their families.

If you have any questions, please contact your Membership Administrator.

Sincerely,

The Business Health Trust Team

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