Tips for Assisters: Helping Consumers Understand Grace Periods and Termination Due to Non-Payment of Premiums

This assister tip sheet provides information and guidance Navigators and certified application counselors (collectively, assisters) need to know to help consumers understand grace periods and coverage termination due to non-payment of premiums in the individual Federally-facilitated Marketplace (FFM).

Overview

If consumers don't pay their monthly premium payments in full (or within a reasonable threshold, if applicable) by the due date, their health insurance company (or "issuer") may terminate their Marketplace plan. But before an issuer can end a consumer's coverage, the consumer has a short period of time to pay called a "grace period." A grace period may be different depending on whether consumers have advance payments of the premium tax credit (APTC) paid on their behalf or not.

- Consumers who are receiving APTC when they first fail to pay premiums on time have a three-month grace period.
    - A Marketplace plan must continue to pay claims during the first month of the grace period; however, it may delay payments for any claims made in the second and third months until consumers pay any overdue premiums.

    - If consumers still haven't paid their premiums in full after the third month, their Marketplace plan coverage is terminated retroactively to the end of the first month of the grace period. This means the consumer may have to pay any claims for health care they received during the second and third months of the grace period.
- Consumers not receiving APTC will have a grace period determined by their state Department of Insurance (DOI). Assisters should help consumers contact their state DOI for more information on grace periods in their state.

Helping Consumers Enroll in a New Marketplace Plan After Their Marketplace Plan Coverage is Terminated Due to Non-payment of Premiums

If an issuer ends a consumer’s coverage because the consumer didn’t pay all outstanding health insurance premium payments in full (or within a reasonable threshold, if applicable) by the end of their grace period, the consumer will need to wait until an applicable enrollment period to enroll in a new Marketplace plan.

During the Open Enrollment Period

Consumers whose previous Marketplace coverage was terminated due to non-payment of premiums can receive a new eligibility determination and enroll in a Marketplace plan for the next plan year, if eligible, during the Open Enrollment Period (OEP). Consumers can enroll in the same Marketplace plan they were previously enrolled in during the current plan year if it is still available. However, if a consumer enrolls in the same plan or a different plan offered by the same issuer (or another issuer in the same organization), the plan issuer may, if permitted by applicable state law, require the consumer to pay any past-due premiums they owe for coverage in the previous 12 months, provided that prior to the consumer’s failure to make premium payments the issuer has clearly described in enrollment application materials and notices of non-payment of premiums, in paper or electronic form, the consequences of non-payment on future enrollment. Regardless of whether a consumer chooses a new plan or the same plan they were previously enrolled in, they must pay their first month’s premium to the insurance company to complete their enrollment.

Not Eligible for Auto-re-enrollment

It’s important to note that consumers who are not enrolled in Marketplace coverage in mid-December are not eligible for auto-re-enrollment. Thus, consumers who have had their coverage terminated due to non-payment of premiums prior to December won’t be eligible for auto-re-enrollment.

During a Special Enrollment Period

If a consumer’s health plan issuer terminates the consumer’s coverage due to non-payment of premiums, the consumer isn’t eligible for the loss of qualifying health coverage Special Enrollment Period (SEP) due to this coverage termination. However, a consumer may qualify for an SEP for other unrelated reasons (like if they adopted a child in the last 60 days).

Scenario #1: A Consumer Who Isn’t Receiving APTC

John is enrolled in a Marketplace plan without APTC and has paid all his premiums in full starting in January. John fails to pay his July premium due July 1. Since John doesn‘t receive APTC, his state’s grace period requirements apply. In John’s state, the grace period for consumers who don’t receive APTC is one month. Therefore, John’s grace period starts July 1 and ends July 31.

John makes no further premium payments, so his issuer terminates his coverage effective July 31. John then moves to another county within his current state on August 5, which qualifies him for a permanent move SEP. He attests to having prior coverage within the last 60 days (the permanent move SEP requires that the applicant had coverage at least one day in the 60 days prior to the move), and he is determined eligible for Marketplace coverage. On August 13, John selects a new Marketplace plan with a different issuer that is not part of the same organization as his prior issuer with an effective date of September 1. John pays the September binder payment—the first month’s payment that effectuates coverage—by the due date in the new issuer’s enrollment materials.

John’s new issuer may not do either of these:

- Apply the September 1 payment toward the past-due premiums that resulted in termination in July.
- Refuse to confirm the new enrollment on the basis of previous non-payment. The issuer must communicate the enrollment confirmation transaction to the Marketplace.

Scenario #2: A Consumer Who is Receiving APTC

Dawn is enrolled in a Marketplace plan with APTC and, as of July, has paid all her premiums in full starting with January. Dawn fails to pay her August premium due August 1. Dawn enters a three-month grace period that starts on August 1 and ends on October 31.

If Dawn doesn’t pay all outstanding premiums by October 31, Dawn’s issuer will terminate her Marketplace plan coverage back to August 31—the end of the first month of her grace period.

Dawn makes no further payments by October 31, so her issuer terminates her coverage. Since Dawn isn’t enrolled in Marketplace coverage in mid-December 2020, she isn’t eligible for auto-re-enrollment. During the Plan Year (PY) 2021 OEP, Dawn updates her application on HealthCare.gov and is determined eligible for coverage with APTC.

Dawn selects the same Marketplace plan she had in 2020 for coverage starting January 1, 2021 and pays her binder payment premium by the due date. However, the issuer has adopted and implemented the policy of applying payments to past-due premiums, so the issuer applies the binder payment to Dawn's previous debt and requests full payment of the remaining past debt and the 2021 binder payment before her enrollment in 2021 coverage can begin.

Helping Consumers Whose Grace Period Spans Two Plan Years

Some consumers may experience a grace period for non-payment of premiums that spans two plan years if both of these apply:

- They receive APTC.
- They fail to pay premiums due at the beginning of November or December of the current plan year.

Auto-re-enrollment

Consumers with grace periods extending beyond the current plan year may still be eligible for auto-re-enrollment in a plan for the upcoming plan year. If a consumer is automatically re-enrolled, the issuer may not reject the re-enrollment based on non-payment of premiums.

If an effectuated consumer receiving the benefit of APTC is automatically re-enrolled but doesn't pay all outstanding premiums by the end of the three-month grace period in the current plan year, the issuer must terminate the consumer's coverage retroactively to the last day of the first month of the grace period.

If a consumer is re-enrolling in a plan for the new plan year but the plan isn't considered a renewal of their current coverage and would require a binder payment to be effectuated (like a different plan with the same issuer or a plan with a different issuer), and the consumer doesn't pay all outstanding premiums for the current year's coverage by the end of the three-month grace period, the termination will retroactively apply to end their current coverage. However, if the consumer paid any applicable binder payment and the new plan year's coverage was effectuated, the coverage for the new plan year will generally remain in place. This may result in a gap in coverage.

If the issuer of the new plan year's coverage is the same issuer (or another issuer in the same organization) as the issuer of the consumer's current coverage, the issuer may adopt and implement a policy requiring the consumer to pay any past-due premiums they owe for coverage in the previous 12 months. In such a case, if the consumer pays the binder payment on the new coverage and any applicable past-due premiums from the last 12 months, and the new coverage is effectuated but the consumer doesn't meet subsequent premium payment obligations, the new plan year's coverage would be subject to its own grace period.

Scenario #3: A Consumer in a Grace Period During Auto-re-enrollment

James receives APTC, enrolls in a Marketplace plan, and pays all his premiums in full through November 2020. James fails to pay the December premium by the due date—December 1, 2020—and enters a three-month grace period that will end on the last day of February 2021. James doesn't actively select a plan for PY 2021, and the Marketplace sends an auto-re-enrollment transaction to the issuer that would renew James' 2020 coverage in the same plan for PY 2021. The issuer may not reject the re-enrollment based on non-payment of premiums.

James' coverage continues into 2021 and the existing grace period continues, meaning he must pay all outstanding premiums by February 28. However, since James doesn't pay all outstanding premiums by February 28, the issuer retroactively terminates his coverage effective December 31, 2020, which is the last day of the first month of the grace period, and James is no longer enrolled in coverage for PY 2021. Since Open Enrollment has ended, James can't enroll in PY 2021 coverage unless he otherwise qualifies for an SEP.

Helping Consumers Whose Grace Period Ends at the End of the Plan Year (December 31)

Consumers who are enrolled in a Marketplace plan for the current plan year with a grace period ending on December 31 can make a premium payment intended for January coverage in the upcoming plan year rather than for outstanding premiums for the current plan year's coverage. In this situation, the Marketplace needs to determine if a consumer is either of these:

- Enrolling in new coverage (Scenario #1).
- Attempting to renew the current coverage (Scenarios #2 and #3).

This determination depends on whether a consumer took action to update their application, was determined eligible, and actively selected a Marketplace plan for coverage for the upcoming plan year.

Re-enrolling in New Coverage During Open Enrollment

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 Open Enrollment may enroll in new coverage in certain scenarios, if otherwise eligible. If the consumer actively enrolls in a policy requiring a binder payment, the Marketplace considers this a new enrollment, and the new coverage takes effect if a consumer pays the January premium (and any past-due premiums, if applicable) by the due date. However, if the active selection doesn't require a binder payment, but the consumer doesn't pay the past-due premiums by December 31 and the current issuer terminates coverage, the issuer will cancel the consumer's enrollment for the upcoming plan year because the new enrollment is considered merely an update to a previous enrollment that is terminated.

Auto-re-enrollment

Consumers whose grace period expires on December 31 may be auto-re-enrolled in coverage for the upcoming plan year if both of these apply:

- They don't actively select a new Marketplace plan during Open Enrollment.
- Their current Marketplace issuer will offer a Marketplace plan through the Marketplace for the upcoming plan year.

However, if consumers do not pay all outstanding past-due premiums by December 31, the issuer may reject the auto-renewal.

Scenario #4: Consumer Updates Application

Monica enrolls in a Marketplace plan without APTC. She pays all her premiums in full through October 2020. Monica fails to pay her November 2020 premium due November 1. Her issuer has adopted the payment policy to condition new enrollment on payment of recent past-due premiums. In Monica's state, the grace period for consumers who do not receive APTC is one month. Monica enters the grace period on November 1, and it expires on November 30. Monica fails to pay the outstanding amount by the end of her state's grace period, so Monica's issuer terminates her coverage effective November 30.

On December 10, 2020, during Open Enrollment, Monica updates her application on HealthCare.gov for the upcoming plan year. She is determined eligible for PY 2021 coverage and selects a different Marketplace plan offered by the same issuer as her PY 2020 plan with coverage starting January 1, 2021. She pays the first month's premium for 2021 coverage and any outstanding payments from her 2020 coverage by the due date—January 1. The issuer effectuates Monica's coverage and sends the Marketplace a confirmation transaction.

Scenario #5: Consumer is Auto-re-enrolled

Consider the same facts as in Scenario #4, except Monica doesn't return to HealthCare.gov during Open Enrollment to update her application and select a new plan for 2021. Since Monica is still covered when the Marketplace sends auto-renewals to issuers, and the same Marketplace plan is offered for the upcoming year, the Marketplace sends an auto-re-enrollment transaction to Monica's issuer. However, because Monica is not enrolled in mid-December, she is not eligible for auto-reenrollment. The issuer rejects this renewal.

Scenario #6: Consumer Experiences a Gap in Coverage

Donna enrolls in a Marketplace plan with APTC. She pays all her premiums in full through September 2020. Donna fails to pay her October premium due October 1. Donna enters a three-month grace period on October 1, and it expires December 31.

During Open Enrollment, on December 10, Donna updates her application for the upcoming plan year on HealthCare.gov and is determined eligible for coverage. Donna selects a new plan with coverage offered by an unrelated issuer starting January 1, 2021, and pays her first month's premium by the due date.

Because Donna selected a different plan through a different issuer for PY 2021, the new issuer may not apply the January 2021 premium payment to the past-due December 2020 premiums (and wouldn't be aware of the non-payment). The new issuer must accept the enrollment and apply the premium payment to January. The issuer sends the Marketplace a confirmation transaction.

Since Donna didn't pay all outstanding amounts due for the grace period ending December 31, 2020, her coverage during the current year is terminated with a retroactive termination effective date of October 31, 2020. This leaves Donna with a gap in coverage for November and December 2020, and new coverage beginning January 1, 2021.