

**Date:** January 18, 2012

**Code:** TECHNICAL LETTER  
HR/Benefits 2012-01

**To:** Human Resources Officers  
AVP/Deans, Faculty  
Payroll Managers  
Benefits Officers

**From:** Evelyn Nazario   
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Human Resources Management

**Subject:** Information Regarding Retroactive Cancellation of Benefits due to Timebase Reduction

**Overview**

- Audience:** Human Resources Officers, Benefits Officers, and/or campus designee(s) responsible for benefits and/or COBRA administration.
- Action Item:** Loss of health, dental, vision, employer-paid life insurance and employer-paid Long Term Disability (LTD) benefits due to reduction in timebase must be terminated appropriately in accordance with the Health Care Reform (CalPERS health only) and CSU policy (applicable to dental, vision, life insurance and (LTD)).
- Affected Employees:** Any benefits eligible employee that subsequently experiences a timebase reduction, resulting in the loss of benefits eligibility.

**Summary**

Effective January 1, 2011, The Patient Protection and Affordable Care Act (PPACA), as amended by the Health Care and Education Affordability Reconciliation Act of 2010 prohibits retroactive cancellation of health coverage due to a reduction in time base. As a result, CalPERS released Circular Letters 600-067-10 and 600-008-11 pertaining to this provision on December 22, 2010, and January 31, 2011, respectively. However; the purpose of this Technical Letter is to:

- 1) Provide additional campus direction on managing health coverage cancellations to avoid negative impact to the employees and/or campuses; and also
- 2) Reconfirms the policy with regard to CSU Dental, Vision, employer-Paid Life Insurance and employer-Paid Long Term Disability (LTD) Plans.

Campus designees responsible for benefits and/or COBRA administration should read this Technical Letter in its entirety.

**Background**

The Patient Protection and Affordable Care Act (PPACA or Health Care Reform), HR 3590, was signed by President Obama on March 23, 2010, and was modified by the Health Care and Education Affordability Reconciliation Act (Reconciliation Act), HR 4872, which also was signed by President Obama on March 30, 2010.

**Distribution:**

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Executive Vice Chancellor & CFO

Vice Presidents, Administration  
Budget Officers  
State Controller's Office

Healthcare-related provisions implemented by the Health Care Reform will become effective over the course of the next three (3) years.

As a result of the Health Care Reform, however; employers and group health insurance plans are prohibited from canceling an employee's health coverage on a retroactive basis, unless fraud or intentional misrepresentation has occurred. CalPERS released Circular Letters 600-067-10 and 600-008-11 addressing this provision on December 22, 2010, and January 31, 2011, in addition to information regarding ACES modifications for employers to follow. Since the release of these communications, several campuses have contacted Human Resources Management (HRM) to report that some timebase reduction transactions were rejected and CalPERS extended health benefits for an additional month beyond the original cancellation date.

### **Cancellation of CalPERS Health Benefits**

To properly administer this critical provision of the Health Care Reform, the following conditions must be met to ensure timely cancellation of health benefits:

- Each month, the Benefits Office must monitor and review the A17 CIRS Compendium Report, which will contain a list of employees with an ineligible timebase. Additional information regarding the A17 report is specified in a later section of this technical letter.
- The timebase reduction must be keyed into the Personnel/Payroll Information Management System (PIMS) by the cutoff date(s) prescribed in the State Controller's Office (SCO) guidelines, during the same business month that the reduction occurred.
- The health enrollment cancellation transaction must be entered in Oracle/PeopleSoft, using Permitting Event Code 502, transmitted to CalPERS and dated prior to the effective date of the cancellation (i.e., if benefits should be cancelled effective March 1, 2012, due to a timebase reduction that occurred on January 18, 2012, then a transaction dated March 5, 2011, would be considered retroactive and rejected by CalPERS as an error.). Please note: the CalPERS health enrollment system has been reconfigured to prevent any retroactive cancellations from occurring that stem from timebase reductions.
- The employee must be notified of the timebase reduction in a timely manner and provided with COBRA continuation rights information within fourteen (14) days of the event.

If erroneous health benefits deductions are processed as a result of untimely processing by the campus, then CalPERS will set up an Accounts Receivable (A/R) through the SCO for the campus' share of the monthly health benefits premium. Consequently, benefits will be extended to impacted employees for an additional month. If the pay warrant is not sufficient to cover the impacted employee's share of the monthly health benefits premium, then the A/R will include both the employee's and campus' share of monthly premium. Otherwise, the employee's share will be deducted from the pay warrant for benefits to continue for an additional month.

### **CSU Dental, Vision, Employer-Paid Life Insurance and Employer-Paid Long Term Disability (LTD)**

No change is being made to the current cancellation process for CSU Dental, Vision, employer-paid life insurance and employer-paid LTD, as the eligibility is based on timebase, length of appointment, and vendor requirements. Campuses are to continue cancelling these coverages effective with the timebase reduction.

### **CIRS Compendium Report A17**

As indicated earlier, there is a financial impact to the campus if benefits are extended an additional month to an employee due to the rejection of retroactive cancellations of benefits by CalPERS and the SCO, as the result of timebase reductions. Therefore, campuses must proactively monitor their campus' database for employees enrolled in health benefits with an ineligible timebase. To assist campuses with monitoring benefits ineligibility, CIRS Compendium Report A17, which contains a list of employees that are enrolled in benefits with an ineligible timebase has been reprogrammed to include timebase reductions that occur on a weekly basis, rather than monthly. As a result, a new report is available on every Thursday.

As a reminder, the timebase reduction data must be entered in PIMS, in order for impacted employees to be reflected on this report. Departments should report timebase reductions to Payroll on a timely basis, so that timely updates to PIMS can occur.

**Common Management Systems (CMS) Processing Instructions**

Typically, the process described above to update the Permitting Event Code (502) in Oracle/PeopleSoft would vary for Base Benefits and campuses using Benefits Administration. However, at present, the current business process to update the Permitting Event Code is manual (via Base Benefits). Going forward, it is anticipated that this process will be evaluated for automation and delivered in a future baseline release.

**General Information**

Questions regarding this Technical Letter may be directed to Human Resources Management at (562) 951-4411. This document is also available on the Human Resources Management Web site at:  
<http://www.calstate.edu/HRAdm/memos.shtml>.

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