

Understanding the Grace Period for Subsidized Exchange Enrollees

Federal law allows Covered California enrollees who receive financial subsidies to keep their health insurance for three months, even if they have stopped paying their premiums. This is known as the “grace period.”

The first month of this grace period will be treated normally, and plans must pay for services rendered. In months two and three, however, the health plan may suspend payment for any services provided to these enrollees—and deny the claims if the enrollee’s coverage is terminated for non-payment of premiums at the end of the third month.

In California, health plans will be required to suspend a subsidized enrollee’s coverage if the enrollee has not paid his or her premiums for more than a month. The health plans also will generally be required to notify the enrollee’s physician that the enrollee has entered month two of the grace period.

| Covered California’s 3-Month Grace Period for Non-payment of Premiums | | |
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| 1st Month of Delinquency | 2nd and 3rd Months of Delinquency | Terminated After 3 Months of Delinquency |
| <ul style="list-style-type: none"> • Normal payment of claims • Plan effectively treats this month as paid even if enrollee is eventually terminated for non-payment • No provider notification of the patient’s delinquency | <ul style="list-style-type: none"> • Eligibility verification should indicate inactive coverage • The plan has the option to suspend payment for claims on services performed until the enrollee pays the outstanding balance, and any providers submitting claims for these patients will not be paid until patient is current. • Certain providers are notified of patient’s grace period status within 15 days of month two. • If enrollee pays off the balance, providers’ claims are paid at that time and enrollee’s coverage is reinstated. Certain providers receive a notice of the enrollee’s reinstatement. | <ul style="list-style-type: none"> • Plan has the option to deny all claims for services performed in the 2nd & 3rd months of delinquency. • Providers may seek payment for denied claims from the patient. • Patient may then enroll in a different Exchange plan at next open enrollment despite the delinquency. |

Frequently Asked Questions (FAQ)

How will I know who gets the 3-month grace period?

Insurance ID cards for exchange enrollees will have the Covered California logo on them, but they will not indicate whether the enrollee is subsidized. Current enrollment trends, however, predict that 85 percent of those with exchange coverage will be subsidized and receive the three-month grace period.

How will I know whether an exchange patient is in months two or three of the grace period?

Practices should verify an exchange patient’s eligibility as near the time of service as possible. If the patient is in months two or three of the grace period, the health plan should indicate that coverage is inactive. Furthermore, within 15 days of entering month two of the grace period, the plan is required to notify the primary care provider (PCP) of record and any physicians who have submitted claims on the patient within the previous two months.

What are my options if a patient presents with inactive coverage on account of the grace period?

Practices should have policies in place prior to March 2014, the earliest date that patients may begin entering month two of the grace period. Practices may, for example, require a patient to sign an agreement that they will be responsible for all unpaid charges and may request a payment up front. A practice, however, must consider its own circumstances and, for instance, to what extent applying its current policies on treating uninsured or self-pay patients may be suitable.