

Operational Policy and Procedure (OPP)

PENALTIES AND LOSS OF COVERAGE

The purpose of this Operational Policy and Procedure (OPP) and associated penalties is to:

- encourage plan subscribers to comply with plan obligations and thus contain costs;
- ensure that penalties for non-compliance are imposed impartially and consistently; and
- sanction non-compliance with plan obligations at a level that is proportionate to the seriousness of the infraction.

CONTRIBUTIONS AND PAYMENTS

Employees:

Direct Pay Status Employees with Medical Coverage Only: Failure to meet the terms of payment for medical plan coverage under direct pay status shall not be subject to the penalties and loss of coverage contained herein. Penalties and loss of coverage are subject to CalPERS rules and regulations governing direct pay status.

Direct Pay Status Employees with Medical, Dental and Vision Coverage: Employees with loss of medical coverage due to failure to meet the terms of payment under direct pay status shall also lose dental and vision coverage with the District, if enrolled. The effective date of loss of coverage shall be the last day of the month for which coverage was fully paid, including any penalties, if applicable. Failure to meet the terms of payment under direct pay status shall not be subject to the penalties contained herein.

COBRA Status Employees with Medical Coverage: Failure to meet the terms of payment for medical plan coverage under COBRA status shall not be subject to the penalties and loss of coverage contained herein. Penalties and loss of coverage are subject to CalPERS rules and regulations governing COBRA status.

COBRA Status Employees with Medical, Dental and Vision Coverage: Subscribers with loss of medical coverage due to failure to meet the terms of payment under COBRA status shall not also lose dental and vision coverage with the District, if enrolled, due to loss of medical coverage. Failure to meet the terms of payment for dental and vision coverage shall be subject to the penalties and loss of coverage contained herein. The effective date of loss of coverage shall be the last day of the month for which coverage was fully paid, including any penalties, if applicable. All penalties and loss of coverage provisions contained herein shall apply to dental and vision coverage.

Employees with Dental/Vision Coverage Only: If the employee's pay is insufficient to cover the required monthly contribution, the contribution must be paid directly to the District. All timelines, fees, and penalties contained herein shall apply.

Retirees and Survivors:

Retirees and Survivors Who Pay Through Retirement Warrant Deduction: Retirees and survivors who lose medical coverage due to failure to meet the terms of payment directly to CalPERS shall also lose dental and vision coverage with the District. The effective date of loss of coverage shall be the last day of the month for which coverage was fully paid, in accordance with CalPERS regulations. Failure to meet the terms of payment shall not be subject to the penalties contained herein.

Survivors Who Pay Through EFT: In the case of insufficient funds for survivor payments made by EFT, the District will initiate a second EFT on or about the last business day of the month. If funds continue to be insufficient, the District will attempt an additional EFT on the first business day of the subsequent month and again, if necessary, on or about the last business day of the subsequent month. All timelines, fees, and penalties contained herein shall apply.

LATE or DELINQUENT CONTRIBUTION OR PAYMENT

A Late or Delinquent contribution or payment may be made by personal check, cashier's check or money order (employee), or by electronic fund transfer (survivor).

FINANCIAL PENALTIES for LATE or DELINQUENT CONTRIBUTION OR PAYMENT

Late Contribution or Payment:

A late contribution or payment will incur a \$25 late fee and all bank charges incurred by the District due to plan subscriber's insufficient funds. The late fee and bank charges, if any, will be assessed on the subscriber and must be paid in addition to the amount due for the required contribution or payment to meet a late contribution or payment timeline.

A late fee may be waived or reversed for extenuating circumstances such as bank changes following a move, incapacity due to hospitalization or stay in a skilled nursing facility, or documented bank errors or problems. Bank charges, however, will not be waived.

Delinquent Contribution or Payment:

A delinquent contribution or payment will incur a delinquent fee and all bank charges incurred by the District due to a plan subscriber's insufficient funds. The delinquent fee and bank charges, if any, will be assessed on the subscriber and must be paid in addition to the amount due for the contribution or payment to meet a delinquent contribution or payment timeline.

Delinquent Fees:

First instance in the plan year: \$50

Second instance in the plan year \$75

Third and any subsequent instance in the plan year: \$100.

A delinquent fee may be waived or reversed for extenuating circumstances such as bank changes following a move, incapacity due to hospitalization or stay in a skilled nursing facility, or documented bank errors or problems. Bank charges, however, will not be waived.

COVERAGE PENALTIES FOR DEFAULT

Default Loss of Coverage:

For any decisions under the control of the District, loss of coverage shall occur when the plan subscriber's account is in default. The effective date of loss of coverage shall be the last day of the month for which coverage was fully paid, including financial penalties. After loss of coverage, any and all medical expenses/benefit charges incurred by the subscriber and his or her dependents, if any, shall become the subscriber's responsibility. For any decisions under the control and authority of CalPERS Health Plan, loss of coverage shall occur in accordance with CalPERS rules and regulations.

Duration of Loss of Coverage and Reinstatement:

First Instance of Loss of Coverage – Employees and Retirees: Plan subscribers may re-enroll for benefits coverage effective the first of the month following 12 months without coverage or in coordination with CalPERS regulations. In the event of conflict, CalPERS regulations shall prevail.

Loss of Coverage – Survivor: In accordance with *Agreement, Handbook* or contract provisions, Survivors will permanently lose coverage for any plan under the direct administration of the District. Loss of coverage for any CalPERS- administered plan is also subject to CalPERS regulations regarding loss of coverage.

Second Instance of Loss of Coverage: Plan subscribers may re-enroll for benefits coverage effective the first of the month following 18 months without coverage or in coordination with CalPERS regulations. In the event of conflict, CalPERS regulations shall prevail.

Third and Subsequent Instance of Loss of Coverage: Plan subscribers may re-enroll for benefits coverage effective the first of the month following 24 months without coverage or in coordination with CalPERS regulations. In the event of conflict, CalPERS regulations shall prevail.

Extenuating Circumstances:

The District will make reasonable efforts to contact the member prior to cancellation of coverage. In the event of cancellation, the District shall notify the member of cancellation and include information regarding appeal processes.

A default may be waived or reversed for extenuating circumstances such as bank changes following a domicile move, incapacity due to hospitalization or stay in a skilled nursing facility, or documented bank errors or problems.

CalPERS Rules and Regulations

CalPERS may impose rules or regulations that result in loss of coverage outside the provisions of this OPP. In such cases, CalPERS retains sole discretion to determine continuation or loss of coverage in any CalPERS medical plan.

CalPERS Rules and Regulations

District-sponsored medical plans are administered through contract with CalPERS. All related rules, policies, and procedures are subject to CalPERS rules and regulations. Wherever a conflict may exist, CalPERS rules and regulations will prevail.

Established January 2014