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Key Facts You Need to Know About: Past-Due Premiums in the Marketplace

Under a recent Department of Health and Human Services (HHS) rule, insurers can opt to collect any past-due premiums from the last 12 months before allowing someone to enroll in a plan with the same carrier. The following questions and answers explain who is affected by this new policy and how much they'll owe.

What is a past-due premium?

A past-due premium is an unpaid enrollee premium for a month of marketplace coverage. This can happen, for example, when an enrollee misses a premium and enters a three-month grace period, but fails to catch up on premiums. Coverage is terminated effective the last day of the first month of the grace period. The enrollee still owes that month's premium, and it is considered past-due.

Who may be charged a past-due premium?

Effective June 19, 2017, an individual or employer who seeks to enroll in marketplace coverage with the same insurer (or a related insurer) after missing a premium payment within the last 12 months may be responsible for paying the past-due premium before the new enrollment will become effective, if the insurer has adopted a policy requiring payment of past-due premiums. For insurers that adopt this policy, payment of the past-due premium is necessary to effectuate coverage. Insurers' ability to charge past-due premiums may be limited by state law. Check with your state insurance commissioner to find out if

your state allows insurers to condition future enrollment on payment of past-due premiums.

What steps must an insurer take before charging someone a past-due premium?

To implement this policy, insurers must follow certain rules. The insurer must provide notice of the adoption of the past-due premium policy and the consequence of non-payment to the enrollee prior to the enrollee's failure to pay a premium, either through a paper or electronic notification. The insurer must also provide notice of this policy in any communication about the past-due premium. In addition, the insurer can only seek to collect the past-due premium from the person who was contractually obligated to pay the premium (i.e., an insurer cannot demand a past-due premium from family members of the person who was obligated to pay the premium.) Insurers may only seek payment of premiums owed in the last 12 months (and no earlier than June 19, 2017). Insurers must still act consistent with state law.

Will people be aware that they may need to pay a past-due premium to effectuate coverage for 2018?



The full amount owed, including any past-due premium, will appear on the billing statement for January coverage. If consumers question a bill, because it is larger than anticipated, assisters should inquire about the possibility that the insurer is seeking payment of a previous unpaid premium. Consumers should have been given proper notice both before the non-payment and on the notice of non-payment.

Can a person pay January's premium now and the past-due premium later?

No, an applicant cannot pay the binder payment first. Any payment received by the insurer is first applied to the oldest charge (i.e., the past-due premium), then any remainder is applied to the binder payment. Failure to make the full binder payment by the time specified by the plan will lead to cancellation of the policy.

How is a past-due premium calculated?

The past-due premium is the consumer's share of the premium after applying any advance payments of the premium tax credit (APTC) paid in that month. In many cases, the amount of the past-due premium will be limited to one month because of the application of the grace period. A person who receives APTC is entitled to a three-month grace period to catch up on missed premiums before coverage is terminated. If premiums aren't paid in full by the end of the third month, coverage is terminated as of the end of the first month. Therefore, the past-due premium owed is only for one month. However, if an enrollee is still in the grace period when he attempts to enroll in the new plan, the past-due premium will include all unpaid premiums during the grace period months. For example, if no payment is made in November or December and the grace period applies, the enrollee will still be in the grace period when the January payment is

due; therefore, the enrollee will owe payments for November, December and January in order to effectuate January's coverage.

Does the past-due premium policy affect enrollment in coverage under a special enrollment period (SEP)?

Yes. Payment of past-due premiums will be required to enroll in a plan through the same or related insurer through a SEP as well as during open enrollment.

How does the rule work for a person who doesn't get APTC?

In general, it works the same way. However, if a person doesn't collect APTC, the insurer treats past-due premiums according to state law; the marketplace's grace period rules only apply to people with APTC. State laws vary on the timing of termination due to non-payment (i.e., whether coverage ends as of the last day of the last paid month, or whether coverage ends at some future date, such as after a 30-day notice period.) If there is still a balance owed from prior coverage under state rules, the insurer can demand it when the person tries to renew coverage. If state rules allow issuers to terminate coverage retroactive to the end of the last month paid, there may be no past-due premium to pay.

How does this policy apply to someone who is auto-reenrolled?

If someone is auto-reenrolled (or actively reenrolls) in the same plan, she must catch up on overdue premiums for 2018 coverage to take effect. For example, if a person stops paying her premium in November and enters a grace period, then attempts to enroll in the same plan or in a different plan with the same insurer, she must pay November, December and January's payment by the end of January to remain covered. If not,



coverage will be terminated as of November 30 and 2018 coverage will be cancelled.

Example 1:

Sam was enrolled with Insurer A in 2017 with APTC and received a notice in July that past-due premiums would be collected as a condition of re-enrollment. He failed to pay the premium for August coverage and doesn't make any payments during the grace period so, at the end of October, his coverage is terminated effective August 31. His notice of non-payment stated the insurer's past-due premium policy. If Sam attempts to enroll with the same insurer for 2018 coverage, he will need to pay his share of the August premium plus his January payment to have his 2018 coverage effectuated.

Example 2:

The situation is the same as in Example 1, except Sam paid all of his premiums until November. He didn't make a payment for the rest of the year. During open enrollment, he chooses the same plan. He receives his bill for January's payment in December, and it is due by January 10. As of the billing date, he is still in the grace period and will owe past-due premiums for November and December, in addition to his January payment. Any payment made prior to the expiration of the grace period on January 31 will be applied to his earliest past-due premium first.

Example 3:

Artemis was enrolled in 2017 coverage with APTC and received a notice that past-due premiums would be collected as a condition of re-enrollment. She had an unresolved income data matching issue and lost her APTC in April. She was billed for the entire premium in April and couldn't afford to pay. Because she was not receiving APTC in April, she was not given a grace period and her coverage was terminated, effective April 30,

according to state law. Her window for filing an appeal on the loss of APTC has closed. If she attempts to enroll in a plan with the same insurer for 2018, she will owe a past-due premium for the full April premium plus January's payment. However, if state laws on non-payment provide for a termination of coverage at the end of the last month paid, she will have no past-due premium and will only owe January's payment.