

From: KAPOWICH Joan * PEBB
Sent: Friday, January 09, 2009 3:04 PM
To: Members of the Board
Subject: Coverage of Over-age Dependents

I want to alert you to an issue that impacts eligibility for 1,564 PEBB members and action the PEBB staff has taken to remedy this problem.

During Open Enrollment, members with over-age dependents (19 to 24 years of age) must certify that these dependents meet the eligibility criteria for continuing PEBB coverage. This is required by PEBB Administrative Rule to protect our 125 Cafeteria Plan status and is an essential element of program integrity. Provision of benefits to ineligible individuals can result in

- Loss of our ability to offer a 125 Cafeteria Plan with IRS-sanctioned tax benefits for members and the employer
- Claims liability on the part of members who cover ineligible dependents
- Termination of member enrollment in the plans under the plan's fraud provisions.

At the time of 2008 Open Enrollment, 8,395 over-age dependents were receiving PEBB coverage. Before and during October, members received multiple notices regarding the requirement to certify eligibility for over-age dependents. These included e-mail notices and direct mailings. Eighty-one percent (81%) of affected PEBB members took action and certified their dependents. The remaining 1,564 took no action. This resulted in loss of coverage for the subject dependents effective Jan. 1, 2009. These dependents received a notice by mail advising them of their options for continuation of coverage through COBRA.

We know that some members did not certify in some instances because they did not intend for coverage to continue. However, there is no way for us to identify where this is the circumstance. We do know that, as of Jan. 1, 2009, our client services team received 253 calls and 30 faxes from members requesting reinstatement of coverage for an over-age dependent. Of these, 95% stated they were not aware of the requirement or did not read the letters or other information PEBB provided.

Members who lose coverage for an over-age dependent may elect COBRA. The child-only rate for COBRA coverage in the PEBB plans ranges from \$393 to \$439. If the member's over-age dependent is still eligible for PEBB coverage, the member may also request that the dependent be added to coverage by verifying a status change (dependent gaining eligibility). The coverage would become effective the first of the following month. Members have 60 days to elect COBRA or to request coverage based on a status change.

Staff has determined that, within the existing rule, we may permit members to certify and enroll these dependents retroactive to Jan. 1, 2009, if they act before the end of the month. We have sent a letter and e-mail to all affected members, informing them of this opportunity and the specific steps they must take if they wish to reinstate coverage for

their dependent. We have notified all agencies that PEBB is authorizing this reinstatement and the process that must be followed. We have also notified the plans.

Program integrity will be a future Board agenda topic. We will present options for ensuring all member enrollment information is accurate and avoiding a reoccurrence of this or similar events.