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NY 09-13

To: New York State Agency Health Benefit Administrators

From: Employee Benefits Division

Subject: New York State Health Insurance Program (NYSHIP) Dependent Eligibility Verification Project

Date: March 5, 2009

In 2008, Civil Service Law was amended to authorize the NYS Department of Civil Service (The Department) to conduct an eligibility audit of dependents covered under the New York State Health Insurance Program (NYSHIP) and also to establish an amnesty period, not to exceed sixty days, during which enrollees may remove ineligible dependents from coverage on a current basis. The Department contracted the services of BUDCO Health Service Solutions to administer a Dependent Eligibility Verification Project during 2009. BUDCO is a national leader in the field of dependent eligibility verification. In the current environment of rising health care costs, NYSHIP strives to keep costs down for enrollees. This project supports these efforts and will help ensure that only participants that are eligible for benefits are covered under NYSHIP.

As described below, BUDCO is responsible for all aspects of the Dependent Eligibility Verification Project, including responding to any questions enrollees may have about the Project and how to comply with its requirements. Other than confirming that NYSHIP is conducting this project and encouraging enrollees to comply with the requirements of the project, we do not expect it to generate an additional workload for health benefits administrators. Upon completion of each phase of the Project, health benefits administrators will receive information via their worklists regarding dependents that were terminated as the result of the project.

The project will require enrollees with family coverage to provide proof that each dependent is eligible for coverage through NYSHIP. Failure to provide sufficient proof will result in the removal of the dependent from coverage. The project will be conducted in two phases. First, there will be a Special Amnesty Period when enrollees will be given 60 days, from April 14, 2009 to June 12, 2009 to report their ineligible dependents to BUDCO, without penalty. Second, there will be an Eligibility Verification Period when enrollees will be asked to provide proof of each of their dependents' eligibility directly to BUDCO.

During the week of March 16, 2009, the Department will mail a letter to each enrollee with family coverage to announce the Project. The letter (copy enclosed) will provide a brief overview of what enrollees can expect and explains the importance of their participation. Please encourage your enrollees to participate and to respond to all requests for information in the specified timeframes. The enrollees' failure to respond will result in the removal of their dependents from NYSHIP.

NOT included in this Project are:

- Dependent Survivors
- Enrollees with NYS Dental Plan or NYS Vision Plan coverage ONLY
- Dependents added to the enrollee's coverage *after* 2/1/09
- Enrollees with Individual Coverage

About BUDCO

BUDCO is a national leader in the field of dependent eligibility verification and has over 10 years of experience in this field. BUDCO is located in Highland Park, MI. Each employee is trained in the Health Insurance Portability and Accountability Act (HIPAA) and have Federal and State background checks performed prior to employment.

Beginning April 6, 2009, BUDCO will have a call center open with phone representatives available for questions at 888-358-2196, 12:00 p.m. to 8:00 p.m., Monday through Friday.

Special Amnesty Period

In early April, BUDCO will mail enrollees with family coverage information packets regarding the Special Amnesty Period. Enrollees will be asked to review their dependent information and report ineligible dependents directly to BUDCO. Each packet will include:

- Special Amnesty Period letter with a list of the enrollee's dependents
- An eligibility worksheet to use for determining the eligibility of each dependent
- A partial list of documents that enrollees will be required to submit during the Eligibility Verification Period

Dependents reported by enrollees as ineligible during the Special Amnesty Period will be removed from NYSHIP coverage effective June 13, 2009, and the enrollee will be held harmless for any claims paid on behalf of the ineligible dependent.

At the conclusion of the Special Amnesty Period, enrollees will receive a confirmation letter from BUDCO listing the ineligible dependent(s) removed from coverage along with information on applying for COBRA coverage.

Please note that enrollees **should not submit proof of dependent eligibility during the Amnesty Period**. If proof is submitted during the Amnesty Period, it will be destroyed and the enrollee will be required to re-submit the proof later during the Eligibility Verification Period.

Eligibility Verification Period

In early July, BUDCO will mail enrollees information packets about the Dependent Eligibility Verification Period. The packets will include:

- A letter about the Dependent Eligibility Verification Period with a list of the enrollee's dependents not removed during the Special Amnesty Period;
- An eligibility worksheet to determine the eligibility of each dependent, and
- A full list of documents that enrollees will be required to submit directly to BUDCO to prove the eligibility of each dependent

Enrollees will need to review their dependents' eligibility as of February 1, 2009, and provide BUDCO proof of their eligibility from the list of required documents.

If the enrollee does not respond, or BUDCO determines that a dependent is not eligible based on the documentation provided by the enrollee, dependents will be removed from coverage effective February 1, 2009 and the enrollee will be responsible for repaying claims paid under NYSHIP for those dependents as early as the date the dependent was first added to coverage.

Pre-Tax Contribution Program (PTCP)

Under Section 125 of the IRS regulations, health insurance changes which result in corresponding changes in Pre-Tax contributions may only be made when there is a qualifying event. The removal of a dependent during the Special Amnesty Period or the Dependent Eligibility Verification Period is not a Qualifying Event to change the enrollee's Pre-Tax premium contribution.

If the removal of a dependent will result in a change to Individual coverage, and the enrollee is in the PTCP, the enrollee will continue to pay the family premium contribution for the remainder of 2009. Affected enrollees will receive a separate communication from the Department to further explain this situation.

For enrollees that do not participate in PTCP, if the removal of the dependent results in a change in coverage from Family to Individual, the enrollee will be charged the Individual share of premium.

Imputed Income

The coverage maintained by the enrollee for an ineligible dependent may have resulted in additional tax liability. At the end of the Dependent Eligibility Verification Project, a notice will be sent to any enrollee who had an ineligible dependent removed from coverage. The Department will provide the enrollee with a table of imputed income for calendar years 2006, 2007, 2008, and 2009. The notice will advise that the department or the HBA is unable to provide advice in this matter and recommends the enrollee consult a qualified tax professional with questions regarding potential tax liability.

Continuation of Coverage (COBRA)

Dependents removed from coverage during the Special Amnesty Period, or during the Eligibility Verification Period, will be offered continuation of coverage (COBRA benefits) that, if elected, would be effective on the date they are removed from coverage. The Department will mail a letter to affected enrollees offering optional COBRA coverage and notifying them that they must respond within 60 days of the date on the letter.

Communications

There is a dedicated website where additional information about the project will be available at www.cs.state.ny.us/nyshipeligibilityproject/index.cfm. Agencies are encouraged to visit the website regularly throughout the entire Project for the most up to date information. There will be a Webinar on the Dependent Eligibility Verification Project that HBAs can view on-line. Information regarding the Webinar will be available on this Website at the end of March. In addition, please advise your processor if you are planning to distribute separate communications regarding the project to your enrollees. The Department will inform BUDCO of this information so that their staff will be prepared to address your enrollees' questions.

Enclosed is a copy of the letter that the Department will be mailing all enrollees with family coverage during the week of March 16th. Also enclosed is a list of frequently asked questions and a sample Special Amnesty Letter/Special Amnesty Form and Eligibility Worksheet/Partial list of documents.

Thank you for your cooperation with this project.

Attachments:

Enrollee Letter

Special Amnesty Letter/Special Amnesty Form

Eligibility Worksheet/Partial list of documents (EL 1)

Q. Why are you verifying the eligibility of dependents at this time?

A. When an enrollee first adds a dependent to coverage, the enrollee is required to provide proof that the dependent is eligible for coverage. A dependent's eligibility for coverage may change over time. In addition, the rules for providing proof of coverage have changed over the years. This project will help improve our current process and ensure that all dependents are subject to the same requirements.

Q. What if a dependent has a qualifying event that causes the dependent to lose coverage during this project?

A. Enrollees should continue to report all qualifying events that occur 2/1/09 or later to their HBA. The HBA should process the transaction as normal. For example, removal of a recently divorced spouse. Removal of ineligible dependents where there is no current qualifying event (occurred prior to 2/1/09) should be reported by the enrollee to Budco during the Special Amnesty Period.

Q. Will the documentation received for this project be used for any other purpose?

A. The documentation will only be used to verify the eligibility of the dependents.

Q. What if a dependent is removed in error during the Amnesty Period?

A. Budco will send the enrollee a letter to confirm the dependent(s) that were removed during the Amnesty Period. The letter will contain instructions on how to report dependents that were removed in error.

Q. Can the enrollee give their supporting documentation regarding their dependents' eligibility directly to their health benefit administrator?

A. No. All documentation must be submitted directly to BUDCO. Failure to do so will delay the review of the dependent's eligibility and may result in a temporary lapse in coverage for the dependent.

Q. How can an enrollee appeal the decision that a dependent is not eligible?

A. When the ineligible dependent is removed from coverage, the enrollee will receive a confirmation letter from BUDCO. If the enrollee believes the dependent is eligible, they should follow the instructions contained in the letter.

Q. What are other types of documents that can be submitted for the Verification Phase that are not listed on the Partial List of Documents that was included with the Amnesty Letter?

A. Closer to the Verification phase, enrollees will receive a full verification packet that will include a full list of Required Documentation. That packet will outline next steps and will also provide enrollees with additional documentation options that may be submitted, specific for each dependent type. If enrollees have any questions after receiving that packet, they can call the telephone number provided in that packet and a representative will assist them.

Q. Who is BUDCO?

- A.** BUDCO is the company that the State has contracted with to administer the Amnesty Period and the Verification of Dependent Eligibility. BUDCO is a national leader in their field and are located in Highland Park, Michigan.
- Q.** **What will happen if the enrollee does not respond to BUDCO's request for documentation?**
- A.** If the enrollee is unable or unwilling to provide the required documentation to verify the eligibility of a dependent, the dependent will be removed from coverage and the enrollee may be required to repay health insurance claims paid on behalf of that dependent.
- Q.** **If a dependent is currently ineligible, but becomes eligible in the future, can s/he be reinstated? If so, how is this done?**
- A.** Yes. If a dependent becomes newly eligible after the conclusion of this project, the enrollee should provide the required proof of eligibility to their health benefits administrator.
- Q.** **What if the enrollee does not remove an ineligible dependent during amnesty?**
- A.** If the enrollee does not remove an ineligible dependent during amnesty, the enrollee will be required to submit documentation to support the eligibility of the dependent. If the required documentation is not provided, the dependent will be removed from coverage and any claims paid on behalf of the dependent while they were ineligible will be the enrollee's responsibility to pay.
- Q.** **Who can the HBA's call with questions about the project?**
- A.** For up to date information HBA's should consult the dedicated website at www.cs.state.ny.us/nyshipeligibilityproject/index.cfm or call BUDCO beginning April 6, 2009 at 888-358-2196, 12:00 p.m. to 8:00 p.m., Monday through Friday
- Q.** **How will HBAs be notified of dependents that are terminated during either the Amnesty Period or during the Verification Process?**
- A.** HBAs will be notified of dependents removed during either the Amnesty Period or the Verification Period on the worklist generated through NYBEAS. They will be identified separately from dependents removed outside of this project.