



Notification of Retroactive Cancellation Requirements

A new requirement under federal health care reform prohibits group health plans and insurers from cancelling members' coverage back to a prior date (i.e., rescinding coverage retroactively) except in cases of fraud or intentional misrepresentation of material fact, or unless certain other conditions have been met. This requirement is effective for all new groups and upon renewal after September 23, 2010.

Letters notifying group administrators (of fully insured plans) of these changes will be mailed beginning Dec. 30, 2010. (Sample attached) This change applies to new and renewal groups with effective dates of Oct. 1, 2010, through Jan. 1, 2011, and as groups renew through Sept. 2011. In most cases, we will simply need an additional signature at the bottom of a group's bill, indicating that the retroactive cancellation conditions required by the new law have been met.

The new information we will require on requests for retroactive cancellations is as follows:

In the rare case where a retroactive cancellation is requested because of fraud or intentional misrepresentation of material fact, we will require the relevant evidence of fraud or misrepresentation.

Cancellations that are requested due to changes that occur as a normal course of business may be acceptable as long as:

- The plan covers only active employees (or those on COBRA),
- The employee or member has paid no premium for coverage after the effective date of the cancellation, and
- The employee or member had no expectation of coverage after the requested effective date of cancellation.

Agent Insight

Groups have several options for communicating the required information to us:

- On the remitted bill: A new statement and a flyer have been added to our bills allowing groups to confirm that appropriate retroactive cancellation conditions have been met.
- Completion of Request for Cancellation form: This form allows groups to confirm that appropriate conditions for retroactive cancellation have been met.
- By phone: We will continue to take phone requests to cancel coverage. A group can call the Membership Administrator identified on their bill to request a retroactive cancellation. The Membership Administrator will confirm that the appropriate conditions have been met.

Once the required confirmations have been received and if all requirements have been met, the earliest termination date allowable is the last day of the month prior to the due date of a group's current bill.

If a group requests a retroactive cancellation but do not indicate to us that the required federal health care reform conditions have been met, we will not be able to retroactively cancel the member's coverage due to a delay in administrative record-keeping. Instead, we will cancel the member effective as of the last day of the month during which the request was received. Any premiums associated with the coverage for that entire period will be charged to the account. Once we have processed a member's cancellation, we will not be able to change that member's effective cancellation date to an earlier date (i.e. "undo" an earlier cancellation), even if a group subsequently indicates to us that the requirements have been met.

We appreciate your help addressing your client's questions regarding these new requirements.

If you have any questions, please talk to your local Regence [Sales Executive](#).



Regence BlueShield of Idaho is an Independent Licensee of the Blue Cross and Blue Shield Association

December 30, 2010

IMPORTANT NOTICE REGARDING NEW RETROACTIVE CANCELLATION REQUIREMENTS

We appreciate working together with you to provide health coverage to your group health plan's members. We wanted to let you know that we are making a process change to employee and dependent terminations.

A new requirement under federal health care reform prohibits group health plans (your plan) and insurers (Regence) from cancelling members' coverage back to a prior date (e.g. rescinding coverage retroactively) except in cases of fraud or intentional misrepresentation of material fact, or unless certain other conditions have been met. This requirement is effective upon initial enrollment of your group or as of the first renewal date of your policy with us after September 23, 2010. We designed our new approach both to ensure the new requirements are met and also in a way we hope you will find consistent with how you are accustomed to sending us enrollment-related requests.

Previously, if you requested that we retroactively cancel the coverage of one of your employees (such as emailing the request or marking up your bill), Regence would generally carry out your request as long as it was received within a reasonable timeframe of your most recent bill. In those cases, the coverage would have ended on your requested effective date, and Regence would charge you the associated premium through the cancellation date.

New information to be included with your Request for Cancellation

Going forward, Regence is unable to carry out your requests to retroactively cancel coverage for one of your employees unless we can confirm that all the required federal health care reform conditions have been met. In the rare case where you would like to retroactively cancel coverage because you believe that there has been fraud or intentional misrepresentation of material fact, Regence will request that you first send us the relevant evidence of fraud or misrepresentation.

In our experience the more common reason our groups usually request that we retroactively cancel members' coverage is because of an administrative delay in the group notifying us of cancellations that occur in the normal course of business. When that happens, those retroactive cancellations may be acceptable as long as (1) the plan covers only active employees (or those on COBRA), (2) the employee or member has paid no premium for coverage after the effective date of the cancellation, and (3) the employee or member had no expectation of coverage after the requested effective date of cancellation. Because you are in a position to know whether conditions (2) and (3) have been met, we are asking that you communicate that additional information to us in one of the following ways:

- **By indicating on the remitted bill.** Groups often inform us of enrollment changes via the bill when remitting premium payment. Therefore, we are adding a new statement to the bill allowing you to confirm that the appropriate conditions have been met for any members that you are requesting us to retroactively cancel.

- **By completing the Request for Cancellation form on the web.** This form allows you to confirm that the appropriate conditions have been met for any members that you are requesting us to retroactively cancel. The form can be accessed on the internet at:

<http://www.id.regence.com/employer/forms/>

- **By a phone call.** We will also continue to take your phone requests to cancel coverage. If you call your Membership Administrator identified on your bill and request a retroactive cancellation, we will first ask you to confirm that the appropriate conditions have been met.

Once we have received your confirmation, and if all the additional requirements have been met, the earliest termination date allowable is the last day of the month prior to the due date of your current bill.

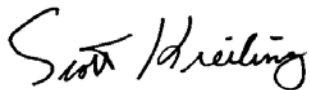
If you request a retroactive cancellation but do not indicate to us that the required federal health care reform conditions have been met, Regence will not be able to retroactively cancel the member's coverage due to a delay in administrative record-keeping. Instead, we will cancel the member effective as of the last day of the month during which the request was received. Any premiums associated with the coverage for that entire period will be charged to the account. Once Regence has processed a member's cancellation, we will not be able to change that member's effective cancellation date to an earlier date (e.g. "undo" an earlier cancellation), even if you subsequently indicate to us that the requirements have been met.

Regence is currently updating applicable electronic processes as well. Please refer to the Regence employer website at <http://www.id.regence.com/employer/> for updates as they become available.

We have strived to make these changes as clear as possible in order to avoid disrupting your normal process for communicating terminations to us. In most cases, we simply need your additional confirmation, through your signature at the bottom of the bill, that the additional conditions have been met. We appreciate your attention to these important changes and look forward to continuing to serve you, your employees and their families.

If you have any questions, please contact your Membership Administrator.

Sincerely,



Scott Kreiling
President