

**BENEFIT SERVICES DIVISION  
STATEWIDE POLICY**

<b>Policy Number:</b> BSD1000	<b>Effective:</b> August 18, 2017
<b>Title:</b> Benefit Health Plan Premium Policy for Active Employees	<b>Revised:</b> September 18, 2018
<b>Policy Owner:</b> Benefit Services Division (BSD)	<b>Last Reviewed:</b> September 18, 2018

**PURPOSE:**

This policy describes the benefit premium payment process and the requirements of agencies and employees with respect to timely payment of benefit premiums.

**SCOPE:**

All State government entities that participate in the Arizona Department of Administration (ADOA) - administered employee health insurance benefit plans. For the purposes of this policy, "State Government Entity" includes agencies, authorities, boards, commissions, councils, departments, and offices of the State of Arizona; the Legislature and legislative agencies; Arizona State School for the Deaf and Blind; Board of Regents; and all departments and agencies of the State Supreme Court and the Court of Appeals, but does not include State Universities.

**AUTHORITY:**

A.R.S. § 38-651, Expenditure of monies for health and accident insurance; definition  
A.R.S. § 38-653, Rules and Regulations  
A.R.S. § 20-191 Payment of premiums by mail; date of payment  
A.A.C. R2-5A-C602(D)  
A.A.C. R2-5A-D601(G)  
A.A.C. R2-5A-D602(E)  
A.A.C. R2-6-107  
Family and Medical Leave Act (FMLA)  
Uniformed Services Employment and Reemployment Rights Act (USERRA)  
Workers' Compensation Act  
29 CFR 825.212, Employee Failure to Pay Health Plan Premium Payments

In general, the following rules and regulations take precedence in the following order:

1. Federal Constitution, laws, rules and regulations;
2. State Constitution, statutes, laws, and Administrative Code;
3. The most recent Benefit Services Division or Human Resources Division policy.

***In all cases of conflict between an ADOA BSD policy and other laws, rules and regulations, contact your ADOA Benefit Services Division representative.***

## DEFINITIONS:

**“Benefit premiums”** means the amount the employee and/or agency is required to pay to purchase Health Plans coverage for the employee and qualifying dependents. Benefit premium costs are divided into two portions: the portion covered by the employee, which is usually deducted from the employee’s paycheck through payroll deductions, which is referred to as the “employee premium”; and the portion covered by the agency which is referred to as the “employer premium”.

**“Cancellation Due to Non-Payment”** means insurance coverage of an individual who fails to pay benefit premiums when due and shall terminate at 11:59 PM on the last day of the period for which the premium was paid in full.

**“COBRA”** means the Federal Consolidated Omnibus Budget Reconciliation Act.

**“Days”** means calendar days, unless otherwise specified.

**“Department”** means the Arizona Department of Administration.

**“Due Date”** means the date the Health Plan premiums must be paid to prevent benefits coverage from being terminated.

**“Employee Premium”** means the portion of benefit premiums that an employee is required to pay for Health Plans coverage, usually deducted from the employee’s paycheck through payroll deductions; or billed to an employee when in Leave Without Pay status, such as during FMLA, Industrial Leave, or Military Leave.

**“Employer Premium”** means the portion of benefit premiums that an agency usually pays for Health Plans coverage.

**“FMLA”** means the United States Federal Family and Medical Leave Act of 1993.

**“Health Plans”** means all medical, dental, life, vision, disability, medical, and/or dependent flex plans offered by the Arizona Department of Administration.

**“Industrial Leave”** means approved leave for an employee who has sustained a job-related illness or injury that is compensable under the Workers’ Compensation Law.

**“Leave Without Pay (LWOP)”** means approved absence without pay, may be used in conjunction with Family Medical Leave Act (FMLA), Industrial Leave, and Military Leave. An employee on approved LWOP, except for FMLA, portions of Industrial Leave, and Military Leave, who continues to participate in the health plans is responsible for both, the employee and employer benefit premiums.

**“Over-Payment”** means payment in excess of the premium amount due to pay for Health Plans coverage.

**“Partial-Payment”** means payment that is less than the full premium amount due to pay for Health Plans coverage.

**“Retro-terminate”** means benefit coverage that is terminated back to the last day of the pay period for which benefit premiums were paid in full.

**“Scheduled Pay Date”** means the date all State employees receive their paycheck and pay benefit premiums for a particular two-week prior coverage period.

**“Qualified Life Event” (QLE)** means a change in a member’s marital status, dependents, employment status, or residence that entitles the member to, within 31 days of the QLE, change the member’s or an eligible dependent’s participation in the health plans made available by the Department before the next open enrollment period. For more information see the Qualified Life Event and Mid-Year Changes Chart on the Benefit Services Division website.

**“USERRA”** means the Federal Uniformed Services Employment and Reemployment Rights Act.

#### **POLICY:**

Benefit Premiums are due every pay period and are automatically deducted during a biweekly payroll cycle. An employee pays their portion of benefit premiums through payroll deductions, and the agency pays the employer premiums through an interagency fund transfer to the Health Insurance Trust Fund (HITF).

If the employee does not receive any pay or enough pay to cover the full benefit premium deduction during the bi-weekly payroll cycle, the employee is responsible for paying the unpaid benefit premium as outlined in this policy.

After each payroll cycle, an employee will be billed for all benefit premiums that are unpaid. Benefit Premium Billing Statements will be sent by mail to the employee’s address of record. This statement will also serve as notice that, if unpaid premiums are not paid in full, the Benefit Services Division shall retro-terminate benefit coverage.

Unpaid premiums will be deducted from any subsequent payroll payment to the employee. Should an employee return to a pay status with multiple payments unpaid, upon receiving a paycheck all unpaid premiums will be deducted, taking as much as possible that can be deducted in full for benefit coverage. Any donation of annual leave will be used to pay benefit premiums, if it is possible to deduct full portions of payment for benefits coverage. If an employee does not have any subsequent payroll payments available before the earliest due date, they shall remit payment for unpaid premiums directly to the Department as specified below.

The employee will have thirty (30) days from each scheduled pay date to remit unpaid premium payments. If the due date falls on a weekend or holiday, payment shall be considered timely if received on the next business day. If payment is not received by the Health Insurance Trust Fund (HITF) office

timely, the related employee benefits coverage will be retro-terminated due to non-payment and the employee and their dependents will not be allowed to re-enroll until the following Open Enrollment period. For FMLA refer to the Reinstatement of Benefits section of this policy.

SITUATION	WHEN THE EMPLOYEE WOULD OWE EMPLOYER PREMIUM
Family and Medical Leave	If an employee is on approved FMLA leave, the employee will only pay the employee premium; if the employee exhausts FMLA leave, the employee will be responsible to pay both the employee and the employer benefit premiums.
Industrial Leave Without Pay	For the first six (6) months from the date of illness or injury the employee will only pay the employee premiums; then, beginning the first pay period following six (6) months from the date of illness or injury, if the employee has exhausted all annual, sick or donated leave, the employee will be responsible for both the employee and employer benefit premiums.
Military Leave Without Pay	For the first six (6) months on Military Leave, the employee will only pay the employee premium, then beginning the first pay period following six (6) months on Military Leave, the employee will be responsible for both the employee and employer benefit premiums. Note: Employees may cancel their State benefits when they become eligible for Tricare through the United States Military. Under USERRA, an employee has the right to continue coverage for up to 24 months.
Employee enrolled in Health Plans working less than thirty (30) paid hours, Temporary Employees and Seasonal Employees	If an employee is benefits eligible and enrolled in a health plan but does not have at least thirty (30) paid hours (ex: annual, annual leave payout, sick, and donated leave) within a pay period, the employee will be responsible for both the employee and the employer benefit premiums.
Leave Without Pay	An employee who is on leave without pay for reasons other than Industrial, Military, or FMLA may continue to participate in the health benefit plans by paying both the state and employee premiums as long as the employee remains benefit eligible.

### Paying Premiums

Premiums must be paid directly to the Arizona Department of Administration Health Insurance Trust Fund (HITF) Accounting Unit by the due date to maintain benefit coverage. Premiums can be paid by personal check, cashier’s check, or money order and must be made payable to ADOA-HITF, for the amount due on the Benefit Premium Billing Statement. Additionally, premiums can also be paid via credit card. Cash is not accepted. Overpayments and partial payments will be accepted, but are not preferred. Partial payments are not considered payment in full. No extension of time to pay will be permitted if there is a partial payment. If it is determined that a member has overpaid, a refund will be issued within thirty (30) days. Refunds are typically issued within 30 days of discovery or completion of a member account review.

**Benefit Premiums Shall Be Delivered/Mailed to:**

Arizona Department of Administration HITF  
Accounting Unit  
100 N. 15th Ave., Suite 302  
Phoenix, Arizona 85007

**Failure to Pay – Termination of Benefits**

If an employee fails to pay premiums owed on the Benefit Premium Billing Statement in full on or before the due date, the employee's benefit coverage will be terminated retroactively to the last day of coverage for which the premiums were paid in full. A member is responsible for satisfying the full amount by the original due date, otherwise the member's benefits will be retro-terminated back to the last day of coverage for which the premiums were paid in full, and any partial payments will be returned. An employee whose coverage has been cancelled for non-payment or underpayment will be responsible for all expenses incurred related to benefit claims and/or services received after the last day of coverage.

The employee will be notified of the termination of benefits with a Benefit Termination Letter by mail to their address of record. A copy of the Benefit Termination Letter will also be delivered electronically to the Agency Benefit Liaison.

An employee's signature or consent is not required for termination of benefits for non-payment of premium. The Benefit Termination Letter will be maintained in the employee's benefits file at the ADOA Benefit Services Division (BSD).

Payments for coverage received after cancellation for non-payment will be returned to the employee. Any agency premium received by ADOA after cancellation will be refunded to the agency.

If an employee fails to pay premiums owed on the Benefit Premium Billing Statement on or before the Friday after the due date, the employee's benefit coverage will be terminated retroactively to the last day of coverage for which the premiums were paid in full. An employee whose coverage has been cancelled for non-payment.

**Deceased Employee**

When an employee dies, the unpaid benefit premium statement shall still be mailed to the employee's address on record in order for the employee's family or beneficiary to receive the information and assistance they need during this time. Any outstanding premiums due must be paid within the 30 day timeframe specified on the statement. Premiums must be paid in full before any claims (including supplemental life and dependent life) will be paid.

If a deceased employee's premiums are not paid on or before the due date, the employee's benefit coverage will be terminated retroactively to the last day of coverage for which the premiums were paid in full. If coverage has been cancelled for non-payment or underpayment, all expenses incurred related to medical services will be the responsibility of the member or the beneficiaries; and supplemental life and dependent life insurance claims may not be payable.

An exception to this policy exists when the State of Arizona is holding funds for the deceased employee that are owed to a beneficiary (e.g., annual leave payout, final wages, etc.). If funds are being withheld for future processing, ADOA Benefit Services Division will wait for these funds to be applied to the outstanding benefit premium. Therefore, ADOA will not terminate benefits during this period.

Please refer to the document entitled “Reference Guide In the Event of An Active State Employee’s Death” for complete details.

### **Appeal Process**

If a member believes their benefits were terminated in error and wishes to submit an appeal to the ADOA Benefit Services Division, an appeal form may be sent to [benefitsissues@azdoa.gov](mailto:benefitsissues@azdoa.gov) within 60 days of the termination of coverage.

A Benefit Appeal Form for Active Employees can be found on the [benefitoptions.az.gov](http://benefitoptions.az.gov) website under the Forms tab.

### **Non-Sufficient Fund (NSF) Checks**

Payments that are returned as Non-Sufficient Funds (NSF) will not extend the due date.

If full payment is not received by the due date, then benefits will be terminated retroactively to the last day of coverage for which the premium was paid in full.

### **Reinstatement of Benefits**

An employee that has had benefits involuntarily terminated due to non-payment of premiums will not be eligible to reinstate benefits until the following Open Enrollment period, unless the employee requests to reinstate benefits upon return to work from a FMLA-qualifying leave and was covered under FMLA at the time of benefits being terminated for non-payment.

### **COBRA**

Employees are not eligible for COBRA enrollment if terminated from the State health plan for non-payment of premium.

### **RELATED DOCUMENTATION:**

- Overall Unpaid Benefit Premium Process
- How to Run an Unpaid Benefit Premium Report
- How to Submit a Request to Research Benefit Premium
- How to Submit a Request for Employee to Pay Agency Portion of Benefit Premium or Other Benefit Premium Adjustment
- Reference Guide in the Event of An Active State Employee's Deaths
- Being Prepared (assists employees with vital information in the event of their death)