

From: [DMHC Licensing eFiling](#)
Subject: APL 18-004 - Unified Billing
Date: Friday, January 26, 2018 7:55:25 AM
Attachments: [APL 18-004 - Unified Billing.pdf](#)

Dear Health Plan Representative,
Please find the attached All Plan Letter regarding Termination of Coverage Due to Partial Payment of a Unified Bill for Multiple Coverages (Section 1365).
Thank you.

ALL PLAN LETTER

Date: January 26, 2018

To: All Health Plans Offering Health Care Service Plans Offer Products Through A Private Exchange

From: Sarah Ream, Deputy Director
Office of Plan Licensing

Re: APL 18-004 (OPL) Termination of Coverage Due to Partial Payment of a Unified Bill for Multiple Coverages (Section 1365)

The Department of Managed Health Care (Department) has learned that some plans offering health plan products through private exchanges, such as *CaliforniaChoice*¹, are terminating coverage in a manner that violates the Knox-Keene Health Care Service Plan Act of 1975, as amended (Knox-Keene Act).^{2 3}

This issue involves a style of billing commonly referred to as “unified billing.” This style of billing uses a single billing statement for multiple types of health care service plan contracts purchased by a subscriber or group. Under a unified bill, a group purchaser or subscriber receives one bill that bundles the premium amounts for the full-service plan contract, as well as any dental, vision, and/or other specialized health plan contracts. The amount due on these unified bills is the sum of the premiums for each type of coverage purchased by the group or subscriber. This type of billing becomes problematic when the amount due is not itemized by type of coverage, or when the sum of all premiums is treated as a single premium for purposes of cancellation of coverage, and the subscriber makes a partial payment.

Like the plans with which a private exchange contracts, the exchange and its administrator(s) must comply with the Act when acting on a plan’s behalf. The Department has learned that some health plans, via the private exchanges, are treating partial payment of a unified bill as “nonpayment of premium” under Health and Safety Code section 1365, subdivision (a)(1)(A), even if the payment covers the premium for one or more of the group’s or subscriber’s health plan contracts.

¹ *CaliforniaChoice* is a long-standing private exchange for small groups in California.

² California Health and Safety Code sections 1340 et seq. (Act). References herein to “Section” are to sections of the Knox-Keene Act. References to “Rule” refer to the California Code of Regulations, title 28.

³ This APL does not apply to products offered through the California Health Benefits Exchange (aka Covered California).

These terminations are unlawful because:

1. The amount of the unified bill is not a single premium under the Knox-Keene Act. Each plan sets the premium rates for its various plan contracts with subscribers and/or groups. Although a unified bill bundles into a single statement the amount of the premiums owed for multiple plan contracts, the unified bill nevertheless represents the total of two or more separate premiums for separate health plan contracts. Therefore, a unified bill represents not one single premium, but a grouping of multiple premiums.

Each premium itemized in a unified bill reflects the contractual amount due pursuant to the group's or subscriber's contract with the individual participating plan. If a subscriber or group submits a partial payment for a unified bill and the amount of that payment covers the premium due for *at least one* of the health plan contracts, the subscriber's failure to pay the entire unified premium does not constitute failure to pay *all* of the premiums due under the unified bill. For example, if a unified bill for a full-service plan contract and a dental plan contract is for \$200, with \$150 being the full-service premium and \$50 being the dental premium, if the subscriber only pays \$150, the plan and the private exchange (and any exchange administrators acting on behalf of the exchange) violate the Knox-Keene Act if they cancel both the full-service and dental contracts for nonpayment of premium.

2. A unified bill that fails to itemize separately each premium for each health plan contract included in the bill fails to duly notify and bill the subscriber or group for the charge. Health and Safety Code section 1365, subdivision (a)(1)(A), states, in part, that a plan may cancel enrollment for "nonpayment of the required premiums by the individual, employer, or the group if the individual, employer, or the group has been duly notified and billed for the charge and at least a 30-day grace period has elapsed since the date of notification ..." The "charge" in this subdivision regarding nonpayment of premium necessarily includes the premium, which is set forth in each health plan contract between a subscriber or group and an individual participating plan. A subscriber or group fulfills its obligation under the health plan contract once it has paid the rate set forth in that plan contract. Thus, in order to satisfy their contractual obligation with each plan, subscribers and groups must know the premium rate due under the contract with each plan.

California Code of Regulations section 1300.65(a)(3) requires the bill to itemize the premium amount due and specify the period of time covered by the premium and the premium due date. A unified billing statement that aggregates separate premiums into a single sum for billing purposes does not convert those separate premiums into "required premiums" under section 1300.65 unless the subscriber contract provides otherwise. For example, a private exchange and a health plan may agree on a hierarchy the exchange will use in allocating premium payments if the subscriber submits a partial payment, so long as that hierarchy is

memorialized in each plan's subscriber contract(s) and each contract between the exchange and each plan.

Thus, "billed for the charge" requires, at minimum, that the premium amount due for each separate health plan contract be itemized in the unified bill. A billing practice that fails to itemize the premium amount due for each separate health plan contract fails to adequately notify the subscriber for the charge due pursuant to section 1365. A plan—and by extension, a private exchange or administrator acting on behalf of a plan— may not terminate coverage without first duly notifying and billing the group or subscriber for the charge. Further, absent any other agreement between a subscriber or group and its contracting plan, if a subscriber or group submits a payment sufficient to cover one or more of the premiums due in the unified bill, then the subscriber is not delinquent with respect to those health plan contracts.

Plans should work with any private exchanges or administrators they contract with to ensure the billing practices do not violate the Knox-Keene Act. The Department will continue to monitor this issue, and may refer violations to enforcement.

If you have questions about this APL, please contact Sherrie Lowenstein, Attorney IV with OPL, at (916) 414-0796 or Sherrie.Lowenstein@dmhc.ca.gov.