



Benefits Administration Letter

Number: 04-204

Date: June 1, 2004

Subject: Federal Employees Health Benefits: Children's Equity Update

PURPOSE

The purpose of this letter is to provide additional guidance on maintaining enrollments that are affected by Public Law 106-394, the "Federal Employees Health Benefits Children's Equity Act of 2000."

BACKGROUND

In the past few months, agency and retirement system personnel have brought several issues relating to the Children's Equity Act to our attention.

- The Children's Equity Act of 2000 does not address annuitants. Employees, who are subject to a court order to provide health benefits for their children and who are eligible to continue their Federal Employees Health Benefits (FEHB) coverage into retirement, cannot make any changes that would affect their children's FEHB coverage after retirement. We informed agencies of this in BAL 00-224, but did not give specific guidance on how the agencies should alert the retirement system that a court order is in effect.
- Agencies have begun receiving a form entitled the National Medical Support Notice and have requested guidance on how to respond to this form.
- Agencies have asked when employees may remain enrolled in their health maintenance organization (HMO) plan.
- We have added a provision in the regulations that permits employees involuntarily enrolled in the Blue Cross and Blue Shield Basic Option to change their enrollment to another plan if circumstances beyond their control prevented them from enrolling or changing their enrollment.

The guidance for each of these issues follows.

COURT ORDER IS STILL IN EFFECT WHEN EMPLOYEE RETIRES

An employee who is subject to a court/administrative order to provide health benefits for a child and is eligible to continue FEHB coverage into retirement is still subject to the Children's Equity Act and must continue the self and family enrollment in retirement. We developed the notice shown in

Attachment 1 to notify the retirement system that a court order is in effect. You should complete and include a copy of this notice on top of the employee's health benefits records with the retirement application package.

Upon seeing this notice, retirement systems personnel will flag the retiree's file so that the retiree cannot make an enrollment change to a self only plan, cancel or suspend enrollment, or change to an HMO that does not serve the area where each child lives.

NATIONAL MEDICAL SUPPORT NOTICE

The National Medical Support Notice (NMSN) provides a standardized format of instructions concerning an employee's obligation to provide health insurance coverage for one or more children. In the past, States generated their own notices, each with different requirements, causing confusion and inconsistent application by employers. The NMSN's standardized format provides uniform guidance to employers responding to notices for support.

Federal agencies should respond to the NMSN as they would a court/administrative order, following the guidance provided in previous Children's Equity BALs. Attachment 2 is a sample NMSN. Complete the Employer Response section of Part A, Notice to Withhold for Health Care Coverage, and return to the requesting agency.

EMPLOYEES CAN REMAIN ENROLLED IN THEIR HMO

When an employee is enrolled in an HMO, you must determine where each child lives and whether the HMO serves that area. If the plan does not serve that area, contact the HMO to determine if a reciprocity agreement will cover the child. A reciprocity agreement allows enrollees of one HMO to receive services from another HMO. For example, Kaiser Permanente and the Aetna Health Plans have reciprocity agreements in certain areas of the country.

Previously, we instructed you to change an employee enrolled in an HMO that does not serve each child's area to the Blue Cross and Blue Shield Basic Option. However, if a reciprocity agreement between the employee's HMO and another plan would cover each child, the employee may remain in his or her HMO. If there is no reciprocity agreement, the employee must change to a fee-for-service plan. You must change the employee's plan to the Blue Cross and Blue Shield Basic Option only when (1) the employee's HMO does not cover each child, (2) the HMO does not have a reciprocity agreement with a plan that would cover each child, and (3) the employee does not change to a fee-for-service plan.

WHEN EMPLOYEES ARE INVOLUNTARILY ENROLLED

We have added a provision to the regulations that permits an employee to change enrollment from the Blue Cross and Blue Shield Basic Option to another plan when the employee was prevented from enrolling or changing enrollment within the 60-day timeframe due to circumstances beyond the employee's control.

As with belated initial enrollments, you are responsible for deciding whether the employee's failure to make a timely election was beyond the employee's control. Generally, an error in judgment or failure to read information is not considered "beyond the employee's control." An employee has 60 days from the date notified of your finding to enroll in another FEHB plan. The change is effective on a prospective basis.

Abby L. Block
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for Employee and Family Support Policy

Attachments