Adopt Article 6, Sections 6520, 6522, 6524, 6526, 6528, 6530, 6532, 6534, 6536, and 6538, which is all new regulation text to be added, to read:

ARTICLE 6. APPLICATION, ELIGIBILITY, AND ENROLLMENT IN THE SHOP EXCHANGE

SECTION 6520: EMPLOYER AND EMPLOYEE APPLICATION REQUIREMENTS

(a) A qualified employer who is eligible to purchase coverage from a Qualified Health Plan (QHP) for its qualified employees through the Small Business Health Options Program (SHOP) pursuant to Section 6522, may apply to participate in the SHOP by submitting the following information to the SHOP:

(1) General employer information: business legal name and whether the employer is doing business under a fictitious name, Federal employer identification number, State employer identification number, organization type (private, nonprofit, government, church/church affiliated), primary business address;

(2) The number of qualified employees and the total number of employees employed by the qualified employer;

(3) The United States Department of Labor Standard Industrial Code of the qualified employer;

(4) Whether the qualified employer is offering dependent health insurance coverage, including whether the qualified employer is offering coverage for non-registered domestic partners;

(5) The qualified employer's desired health insurance coverage effective date;

(6) Whether the qualified employer is subject to COBRA or Cal-COBRA continuation coverage regulations;

(7) The name and primary phone number for the primary contact for the qualified employer;

(8) Whether the qualified employer has an agent and if so, the agent's name, general agency name (if applicable), CA insurance license number, and whether the agent is an insurance agent certified by Covered California;

(9) Information about the qualified employer's qualified employees, including each qualified employee's taxpayer identification number, full name, date of birth, home address, the qualified employee's number of dependents, if

the qualified employer offers dependent coverage, including child dependents under the age of 21 and the number of child dependents 21 years of age and over, if applicable, the COBRA or Cal-COBRA continuation coverage designation, start date of the continuation coverage, if any, and the remaining months of eligibility for continuation coverage for enrollees that are not qualified employees or their dependents;

(10) The employer's offer of health insurance coverage, which includes:

(A) The employer's health premium contribution amount for employees and their dependents;

(B) The employer plan selection for a tier of health insurance coverage pursuant to 45 CFR § 156.140(b) (bronze, silver, gold, or platinum), and the reference plan;

(b) To participate in the SHOP, an employer must attest to the following:

(1) That all information contained in the qualified employer application is true and correct to the best of the qualified employer's knowledge;

(2) That the employer knows that the information will only be used to determine eligibility and facilitate enrollment for health coverage and will otherwise be kept private as required by federal and state law;

(3) That any waiting period established by the qualified employer complies with 42 U.S.C. § 300gg-7, Section 10198.7(d) of the California Insurance Code and Section 1357.51(d) of the California Health and Safety Code, and all qualified employees have complied with the qualified employer's waiting period;

(4) That the employer has the consent from every qualified employee listed on the application to include their personally identifiable information such as dates of birth, addresses and tax identification numbers;

(5) That the employer understands that discrimination is prohibited on the basis of race, color, national origin, sex, age, sexual orientation, gender identity, or disability;

(6) That the qualified employer understands that the SHOP will not consider the qualified employer approved for health insurance coverage until the SHOP has received 100 percent of the qualified employer's first month health premium payment;

(7) That the qualified employer agrees to continue to make the required monthly health premium payments to maintain eligibility for coverage in the SHOP;

(8) That the qualified employer agrees to inform its qualified employees of the availability of health insurance coverage and that those declining coverage must wait until the next open enrollment period, pursuant to Section 6528, to sign up for coverage, unless that employee experiences an event that would entitle him or her to a special enrollment period pursuant to Section 6530;

(9) That the qualified employer understands that once coverage in a QHP is approved by the SHOP, changes to the coverage cannot be implemented until the qualified employer's annual election of coverage period pursuant to Section 6526, except to the extent the qualified employer exercises the right to change coverage with the same issuer within the first 30 days of the effective date of coverage pursuant to Health and Safety Code 1357.504(c) and Insurance Code Section 10753.06.5(c);

(10) That the qualified employer understands that health insurance coverage through the SHOP is subject to the applicable terms and conditions of the QHP issuer contract or policy and applicable state law, which will determine the procedures, exclusions and limitations relating to the coverage and will govern in the event of any conflict with SHOP or QHP issuer benefits comparison, summary or other description of the coverage;

(11) That the qualified employer understands that once employer and employee information is transmitted to the selected QHPs, the qualified employer's coverage effective dates cannot be changed nor can coverage be terminated until after the first month of coverage;

(12) That the qualified employer understands that the attestations in this section are subject to audit by the SHOP at any time; and

(13) That the qualified employer agrees to maintain compliance with the attestations in this section in order to continue eligibility for coverage through the SHOP.

(c) A qualified employer must provide the SHOP with its most recent Quarterly Contribution Return and Report of Wages (Form DE-9C), as filed with the California Employment Development Division, on which the qualified employer must identify on the face of the form whether each employee listed on the DE-9C is a full-time employee, part-time eligible employee, ineligible employee and whether the employee is still employed by the qualified employer. If there is not sufficient space on the face of the Form DE-9C for the qualified employer to add the required information, the qualified employer may attach additional sheets of

paper to the Form DE-9C as necessary. A qualified employer must provide the SHOP with additional or other documents in the following circumstances:

(1) For a qualified employer who is a sole proprietor in business less than three (3) months, a California business license or Fictitious Business Name Filing and a DE-9C or payroll records for 30 days;

(2) For a qualified employer who is a sole proprietor who is in business more than three (3) months and the owner is not listed as earning wages on the DE-9C and wishes to enroll for coverage, a current IRS Form 1040 Schedule C Profit or Loss From Business (Sole Proprietorship) or, if a Form 1040 Schedule C is not available, a California business license or Fictitious Business Name filing may be substituted;

(3) For a qualified employer who is a corporation in business less than three (3) months, Articles of Incorporation, filed and stamped by the Secretary of State, and a Statement of Information or corporate meeting minutes listing all officers' names and a DE-9C or payroll records for 30 days;

(4) For a qualified employer who is a corporation in business more than three (3) months, a DE-9C, and, if officers who are not listed on DE-9C enroll for coverage, a Statement of Information;

(5) For a qualified employer who is a partnership in business less than three (3) months, a Partnership Agreement, a Federal Tax Identification appointment letter, and a DE-9C or payroll records for 30 days;

(6) For a qualified employer who is a partnership in business more than three (3) months, a DE-9C and a current IRS Form 1065 Schedule K-1, if the partners are not listed on DE-9C and want to enroll for coverage. If an IRS Form 1065 Schedule K-1 is not yet available, the Partnership Agreement and the Federal Tax Identification appointment letter can be substituted;

(7) For a qualified employer who is a limited partnership in business less than three (3) months, a Partnership Agreement, a Federal Tax Identification appointment letter, and a DE-9C or payroll records for 30 days;

(8) For a qualified employer who is a limited partnership in business more than three (3) months, a DE-9C. If General Partners are not listed on DE-9C and wish to enroll in coverage, then a current IRS Form 1065 Schedule K-1. If an IRS Form 1065 Schedule K-1 is not available, the

Partnership Agreement and a Federal Tax Identification appointment letter can be substituted. Limited partners are not eligible for coverage unless they appear on a DE-9C;

(9) For a qualified employer who is a limited liability partnership in business less than three (3) months, a Partnership Agreement, a Federal Tax Identification appointment letter, and a DE-9C or payroll records for 30 days;

(10) For a qualified employer who is a limited liability partnership in business more than three (3) months, a DE-9C. If partners are not listed on the DE-9C and wish to enroll in coverage, then a current IRS Form 1065 Schedule K-1. If the IRS Form 1065 Schedule K-1 is not yet available, the Partnership Agreement and the Federal Tax Identification appointment letter can be substituted;

(11) For a qualified employer who is a limited liability company in business less than three (3) months, Articles of Organization with the Operating Agreement or the Statement of Information and a DE-9C or 30 days of payroll plus an IRS Form 1065 Schedule K-1 for the partnership or IRS Form 1040 Schedule C for a sole proprietorship; and

(12) For a qualified employer who is a limited liability company in business more than three (3) months, a DE-9C. If managing members are not listed as earning wages on the DE-9C and wish to enroll for coverage, a current IRS Form 1065 Schedule K-1 for a partnership or IRS Form 1040 Schedule C for a sole proprietorship. If an IRS Form 1065 Schedule K-1 is not yet available, a Statement of Information or Articles of Organization with the Operating Agreement may be substituted.

(d) To participate in the SHOP, a qualified employee must submit the following information to the SHOP:

(1) The name, address and phone number of the employee's employer;

(2) The qualified employee's name, taxpayer identification number, date of birth, and home and mailing addresses;

(3) If the qualified employer is offering coverage for dependents, the marital or domestic partnership status of the qualified employee;

(4) If the qualified employer is offering coverage for dependents and the employee elects to offer his or her dependents coverage, then information about the qualified employee's dependents, which includes:

(A) The number of dependents applying for health insurance coverage;

(B) The relationship of the dependents to the qualified employee;

(C) Each dependent's name, taxpayer identification number, date of birth, home and mailing addresses, and

(D) Whether the qualified employee would like to enroll a dependent who is a disabled child pursuant to Section 599.500 of Title 2 of the California Code of Regulations; and

(5) The name of the QHP and dental plan, if applicable, selected by the qualified employee and dependents.

(e) If a qualified employee declines coverage, the employee must state other sources of coverage, if any.

(f) The SHOP must keep all information received pursuant to this section private in accordance with applicable federal and state privacy and security laws pursuant to 45 CFR § 155.260 and the Information Practices Act of 1977 (Cal. Civ. Code, commencing with Section 1798). The SHOP may not provide to the qualified employer any information collected on the employee application with respect to the qualified employees or dependents of qualified employees, other than the name, address, and birth date of the spouse or dependent. The SHOP may only share information from an employee application with the QHP or employer that is strictly necessary for the purposes of eligibility and enrollment. Information obtained by the SHOP pursuant to this section may not be used for purposes other than eligibility determinations and enrollment in health coverage through the SHOP.

Authority: Section 100504, Government Code
Reference: Sections 100502 and 100503, Government Code; 45 CFR §§ 155.705, 155.715, 155.730 and 156.285.

SECTION 6522: ELIGIBILITY REQUIREMENTS FOR ENROLLMENT IN THE SHOP

(a) An employer is a qualified employer and eligible to participate in the SHOP if such employer:

(1) Is a small employer as defined in Section 6410;

(2) Elects to offer all eligible employees coverage in a QHP through the SHOP;

(3) Either has its principal business address in California and offers coverage to all its full-time employees through the SHOP in California or offers coverage to each eligible employee through the SHOP serving that employee's primary worksite;

(4) Meets the following minimum participation rules:

(A) A minimum of 70 percent of eligible employees of the qualified employer must enroll in health insurance coverage through the SHOP. However, if the qualified employer pays 100 percent of the qualified employees' QHP premiums or the qualified employer only employs one to three eligible employees, then all eligible employees of the qualified employer must enroll in health insurance coverage through the SHOP.

(B) A qualified employee who waives coverage because that qualified employee is enrolled in coverage through another employer, an employee's union, Medicaid pursuant to 42 U.S.C. § 1396 et seq., or Medicare pursuant to 42 U.S.C. § 1395 et seq., is not counted in calculating compliance with the group participation rules above.

(5) Meets the following group contribution rule:

(A) A qualified employer must contribute to each of its qualified employees' QHP premiums, a minimum of 50 percent of the lowest cost premium for employee-only coverage in the level of coverage selected by the qualified employer pursuant to Section 6520(a)(10)(B).

(b) An employer that otherwise meets the criteria of this section except for subdivision (a)(4) and (5) of this section shall be a qualified employer, but may only elect to offer coverage to its employees during the period specified in Section 6526(b).

(c) A qualified employer who ceases to be a small employer solely by reason of an increase in the number of employees of such employer shall continue to be eligible for the SHOP until the qualified employer otherwise fails to meet the eligibility criteria of this section or elects to no longer purchase coverage for qualified employees through the SHOP.

(d) All qualified employees are eligible to select a QHP through the SHOP.

(e) The dependents of qualified employees, if offered health insurance coverage by the qualified employer, are eligible to select a QHP through the SHOP.

Authority: Section 100504, Government Code
Reference: Sections 100502 and 10503, Government Code; 45 CFR §§ 147.104, 155.705, 155.710, 155.715, 155.720

SECTION 6524: VERIFICATION PROCESS FOR ENROLLMENT IN THE SHOP

(a) Verification of Eligibility

(1) The SHOP shall verify or obtain information as provided in this section to determine whether an employer, employee or dependent meets the eligibility requirements specified in Section 6522 prior to allowing an employer to offer health insurance coverage to its employees or a qualified employee to select a QHP through the SHOP.

(2) For purposes of verifying employee eligibility, the SHOP must:

(A) Verify that the employee or the employee's dependent has been identified by the qualified employer as an employee or dependent being offered health insurance coverage by the qualified employer;

(B) Accept the information attested to by the employee under Section 6520 unless the information is inconsistent with the qualified employer-provided information; and

(C) Collect only the minimum information necessary for verification of eligibility in accordance with the eligibility requirements in Section 6522.

(b) Inconsistencies

(1) When the information submitted to the SHOP by an employer is inconsistent with the eligibility requirements in Section 6522, the SHOP must:

(A) Make a reasonable effort to identify and address the causes of such inconsistency, including through typographical or other clerical errors;

(B) Provide written notice to the employer of the inconsistency and;

(C) Provide the employer with a period of 30 days from the date on which the notice described in subdivision (b)(1)(B) of this section is sent to the employer to either present satisfactory documentary evidence to support the employer's application or resolve the inconsistency.

(D) If, after the 30-day period described in subdivision (b)(1)(C) of this section, the SHOP has not received satisfactory documentary evidence to support the employer's application or resolve the inconsistency, the SHOP must provide written notice to the employer of its denial of eligibility in accordance with subdivision (c) of this section and of the employer's right to appeal such determination.

(2) When the information submitted to the SHOP by an employee is inconsistent with the information provided by the employee's employer, the SHOP must:

(A) Make a reasonable effort to identify and address the causes of such inconsistency, including through typographical or other clerical errors;

(B) Provide written notice to the employee of the inability to substantiate his or her employee status and;

(C) Provide the employee with a period of 30 days from the date on which the notice described in subdivision (b)(2)(B) of this section is sent to the employee to either present satisfactory documentary evidence to support the employee's application or resolve the inconsistency.

(D) If, after the 30-day period described in subdivision (b)(2)(C) of this section, the SHOP has not received satisfactory documentary evidence to support the employee's application or resolve the inconsistency, the SHOP must provide written notice to the employee of its denial of eligibility in accordance with subdivision (d) of this section.

(c) Notification of Employer Eligibility

(1) The SHOP must provide written notice to an employer applying to participate in the SHOP whether the employer is eligible in accordance with Section 6522 and the employer's right to appeal such determination.

(d) Notification of Employee Eligibility

(1) The SHOP must provide written notice to an employee seeking to enroll in a QHP offered through the SHOP of the determination by the SHOP whether the employee is eligible in accordance with Section 6522(d) and the employee's right to appeal such eligibility determination.

Authority: Section 100504, Government Code
Reference: Sections 100502 and 10503, Government Code; 45 CFR §§ 155.715, 155.720

SECTION 6526: QUALIFIED EMPLOYER ELECTION OF COVERAGE PERIODS

(a) Subject to subdivision (b) of this section, a qualified employer who is not already participating in the SHOP may elect to offer health insurance coverage through the SHOP for its qualified employees at any time during the calendar year by submitting the information required in Section 6520.

(b) If a qualified employer fails to meet the minimum participation or the group contribution requirements in Section 6522(a)(4) and (5), but satisfies the remaining eligibility criteria in Section 6522, the qualified employer may only elect to offer health insurance coverage through SHOP for its qualified employees from November 15th through December 15th of each year.

(c) A qualified employer's plan year is a 12-month period beginning on the coverage effective date for its qualified employees as described in Section 6536. All qualified employees of a qualified employer will have the same plan year as their qualified employer.

(d) A qualified employer may only change its offer of health insurance coverage to its qualified employees, as described in Section 6520(a)(10), during the qualified employer's annual election period. The qualified employer's annual election period is 30 days in length, beginning at least 75 days prior to the completion of the employer's plan year and ending before the annual employee open enrollment period described in Section 6528(c).

(e) Beginning January 1, 2014, the SHOP shall provide a written annual election period notification to each qualified employer at least five (5) business days prior to the beginning of the qualified employer's annual 30-day election period.

Authority: Section 100504, Government Code
Reference: Sections 100502 and 10503, Government Code; 45 CFR §§ 147.104, 155.705, 155.720, 155.725, and 156.285

SECTION 6528: INITIAL AND ANNUAL ENROLLMENT PERIODS FOR QUALIFIED EMPLOYEES

(a) A qualified employee may enroll in a QHP or change his or her QHP only during the initial employee open enrollment period and annual employee open enrollment period described in this section or during a special enrollment period as described in Section 6530.

(b) Subject to subdivision (e) of this section, a qualified employee's initial employee open enrollment period begins the day his or her employer submits all of the information required in Section 6520 and the SHOP has determined that the employer is a qualified employer.

(c) Subject to subdivision (e) of this section, the annual employee open enrollment period begins 45 days prior to the completion of the qualified employee's plan year and after his or her qualified employer's annual election period as described in Section 6526(d)(1).

(d) For employees of a qualified employer described in Section 6526(b), the initial and annual employee open enrollment period is December 15th through January 15th of each year.

(e) The initial and annual employee open enrollment period is 30 days or at which time all qualified employees of a qualified employer have submitted the information required in Section 6520(d), whichever occurs first, but in no event longer than 30 days.

(f) Beginning January 1, 2014, the SHOP shall provide a written annual employee open enrollment period notification to each qualified employee at least five (5) business days prior to the employee's annual 30-day open enrollment period.

(g) If a qualified employee does not enroll in a different QHP during his or her annual employee open enrollment period, that qualified employee will remain in the QHP selected in the previous year unless:

(1) The qualified employee terminates his or her coverage from the QHP in accordance with Section 6538(b), or

(2) The QHP is no longer available to the qualified employee.

(h) An employee who becomes a qualified employee outside of the initial employee open enrollment period, the annual employee open enrollment period, or a special enrollment period shall have a 30-day period to enroll in a QHP beginning on the first day the employee becomes a qualified employee.

Authority: Section 100504, Government Code
Reference: Sections 100502 and 10503, Government Code; 45 CFR §§ 147.104, 155.720, 155.725, and 156.285

SECTION 6530: SPECIAL ENROLLMENT PERIODS FOR QUALIFIED EMPLOYEES AND DEPENDENTS

(a) A qualified employee may enroll in a QHP or change QHPs during special enrollment periods outside of the initial and annual open enrollment periods in the following situations:

(1) A qualified employee or dependent loses Minimum Essential Coverage, as specified in subdivision (d) of this section;

(2) A qualified employee gains a dependent or becomes a dependent;

(3) A qualified employee's, or his or her dependent's, enrollment or non-enrollment in a QHP is unintentional, inadvertent, or erroneous and is the result of the error, misrepresentation, or inaction of an officer, employee, or agent of the Exchange or HHS or its instrumentalities as evaluated and determined by the Exchange. In such cases, the Exchange shall take necessary actions to correct or eliminate the effects of such error, misrepresentation, or inaction;

(4) A qualified employee, or his or her dependent, adequately demonstrates to the Exchange that the QHP in which he or she is enrolled, substantially violated a material provision of its contract in relation to the qualified employee;

(5) A qualified employee, or his or her dependent, gains access to new QHPs as a result of a permanent move;

(6) An Indian, as defined by Section 4 of the Indian Health Care Improvement Act (25 U.S.C. § 1603(c)), may enroll in a QHP or change from one QHP to another one time per month;

(7) A qualified employee loses eligibility for coverage under a Medicaid plan under title XIX of the Social Security Act or a State child health plan under title XXI of the Social Security Act;

(8) A qualified employee or dependent becomes eligible for assistance, with respect to health insurance coverage under a SHOP, under a Medicaid plan or a State child health plan (including any waiver or demonstration project conducted under or in relation to such a plan);

(9) An individual is mandated to be covered as a dependent pursuant to a valid state or federal court order;

(10) An individual has been released from incarceration;

(11) A qualified employee or dependent was receiving services from a contracting provider under another health benefit plan, as defined in Section 1399.845(f) of the Health and Safety Code or Section 10965(f) of the Insurance Code, for one of the conditions described in Section 1373.96(c) of the Health and Safety Code and that provider is no longer participating in the health benefit plan;

(12) A qualified employee or dependent demonstrates to the Exchange, with respect to health benefit plans offered through the Exchange, or to the applicable regulator, with respect to health benefit plans offered outside the Exchange, that he or she did not enroll in a health benefit plan during the immediately preceding enrollment period available to the employee or dependent because he or she was misinformed that he or she was covered under Minimum Essential Coverage;

(13) A qualified employee or dependent is a member of the reserve forces of the United States military returning from active duty or a member of the California National Guard returning from active duty service under Title 32 of the United States Code;

(14) A qualified employee or dependent demonstrates to the Exchange, in accordance with guidelines issued by HHS and as determined by the

Exchange on a case-by-case basis, that the individual meets other exceptional circumstances. Such circumstances include, but are not limited to, the following circumstances:

(A) If a child who has been determined ineligible for Medi-Cal and CHIP, and for whom a party other than the party who expects to claim him or her as a tax dependent is required by court order to provide health insurance coverage for the child, the child shall be eligible for a special enrollment period if otherwise eligible for enrollment in a QHP.

(b) A qualified employee or dependent who experiences one of the situations described in subdivision (a) of this section has 60 days from the date of the event described in that subdivision to select a QHP through the SHOP.

(c) A dependent of a qualified employee is not eligible for a special enrollment period if the qualified employer does not extend the offer of health insurance coverage to dependents.

(d) Loss of Minimum Essential Coverage (MEC), as specified in subdivision (a)(1) of this section, includes:

(1) Loss of eligibility for health insurance coverage, including but not limited to:

(A) Loss of eligibility for health insurance coverage as a result of:

1. Legal separation;

2. Divorce;

3. Cessation of dependent status (such as attaining the maximum age to be eligible as a dependent child under the plan);

4. Death of an employee;

5. Termination of employment;

6. Reduction in the number of hours of employment; and

(B) Loss of eligibility for coverage through Medicare, Medicaid, or other government-sponsored health care programs;

(C) In the case of coverage offered through an HMO or similar program in the individual market that does not provide benefits to individuals who no longer reside, live, or work in a service area, loss of health insurance coverage because an individual no longer resides, lives, or works in the service area (whether or not within the choice of the individual);

(D) In the case of coverage offered through an HMO or similar program in the group market that does not provide benefits to individuals who no longer reside, live, or work in a service area, loss of coverage because an individual no longer resides, lives, or works in the service area (whether or not within the choice of the individual), and no other benefit package is available to the individual; and

(E) A situation in which a health plan no longer offers any benefits to the class of similarly situated individuals that includes the individual.

(2) Termination of qualified employer contributions toward the qualified employee's or dependent's health insurance coverage that is not COBRA continuation coverage, including contributions by any current or former employer that was contributing to health insurance coverage for the qualified employee or dependent;

(3) Exhaustion of COBRA or Cal-COBRA continuation health insurance coverage, meaning that such coverage ceases for any reason other than a reason specified in subdivision (d)(4) of this section. An individual is considered to have exhausted COBRA continuation coverage if such coverage ceases:

(A) Due to the failure of the employer or other responsible entity, but not of the employee or dependent receiving COBRA benefits, to remit premiums on a timely basis; or

(B) When the individual no longer resides, lives, or works in the service area of an HMO or similar program (whether or not within the

choice of the individual) and there is no other COBRA continuation coverage available to the individual.

(4) Loss of MEC, as specified in subdivision (a)(1) of this section, does not include termination or loss due to:

(A) The employee's or dependent's failure to pay premiums on a timely basis, including COBRA premiums prior to expiration of COBRA coverage; or

(B) Termination of coverage for cause, such as the making of a fraudulent claim or an intentional misrepresentation of a material fact in connection with a plan.

(e) If requested by a QHP, an employee or a dependent of an employee who experiences a triggering event that gives rise to a special enrollment period pursuant to this section must provide verification of the triggering event.

Authority: Section 100504, Government Code
Reference: Sections 100502 and 10503, Government Code; 26 CFR § 54.9801-2, 45 CFR §§ 147.104, 155.725, 156.285, Sections 1357.503 and 1399.849, Health and Safety Code, and 10753.05 and 10753.063.5, Insurance Code

SECTION 6532: EMPLOYER PAYMENT OF PREMIUMS

(a) Upon completion of the initial employee open enrollment period by all of the qualified employees of a qualified employer, the SHOP will send an invoice to the qualified employer for the premium amount due for all of that qualified employer's qualified employees.

(1) A qualified employer's first full payment must be delivered to the SHOP or postmarked by the due date indicated on the invoice.

(2) If a qualified employer's first full payment is not delivered to the SHOP or postmarked by the due date on the invoice, the SHOP will cancel the application of that qualified employer and the applications of that employer's qualified employees.

(b) Once coverage is effective, the SHOP will send invoices to qualified employers on the 15th of the month for health insurance coverage for the following month, which payment must be delivered to the SHOP or postmarked by the last day of the invoicing month.

(c) If a qualified employer makes a payment for less than the full amount due, the payment will be allocated first to the coverage providing health benefits and then to coverage providing dental benefits, if any.

(d) In months after a qualified employer has paid its initial month's premium in full, if a qualified employer does not pay its premium pursuant to subdivision (b) of this section, the SHOP will, on the day following the due date of the invoice, mail a notice of delinquency to the qualified employer that shows the past due balance, informs the qualified employer of any applicable grace period pursuant to Section 10273.4(a)(1) of the California Insurance Code and Section 1365(a)(1) of the California Health and Safety Code, and of the qualified employer's right to appeal.

Authority: Section 100504, Government Code
Reference: Sections 100502 and 10503, Government Code; 45 CFR §§ 155.705, 155.720, and 156.285

SECTION 6534: COVERAGE EFFECTIVE DATES FOR SPECIAL ENROLLMENT PERIODS

(a) Except as specified in subdivision (b) of this section, coverage effective dates for special enrollment periods for a QHP selection received by the Exchange from a qualified employee:

(1) Shall be the first day of the following month for applications received between the first and fifteenth day of any month, or

(2) Shall be the first day of the second following month for applications received between the sixteenth and last day of any month.

(b) Special coverage effective dates shall apply to the following situations:

(1) In the case of birth, adoption, placement for adoption, or placement in foster care, coverage is effective for that enrollee on the date of birth, adoption, placement for adoption, or placement in foster care;

(2) In the case of marriage, domestic partnership or where a qualified employee loses Minimum Essential Coverage, as described in Section 6530(a)(1), coverage is effective for that qualified employee or dependent on the first day of the month following the date the SHOP receives the request for enrollment; and

(3) In the case of a qualified employee or dependent eligible for a special enrollment period as described in Section 6530(a)(3) and 6530(a)(4), the coverage is effective on either

(A) The date of the event that triggered the special enrollment period under Section 6530(a)(3) or 6530(a)(4), or

(B) In accordance with subdivision (a) of this section, whichever is the least financially burdensome on the enrollee, as determined by the Exchange.

Authority: Section 100504, Government Code
Reference: Sections 100502 and 10503, Government Code; 45 CFR §§ 155.725 and 156.285

SECTION 6536: COVERAGE EFFECTIVE DATES FOR QUALIFIED EMPLOYEES

(a) If the full premium payment from a qualified employer for all of its qualified employees and their dependents who selected coverage is delivered to the SHOP or postmarked by the last calendar day of the month, the effective dates of coverage for qualified employees and dependents who selected QHPs during the initial employee open enrollment, shall be the first day of the following month.

(b) The effective date of coverage for a qualified employee who selected a QHP during the employee's annual open enrollment period shall be the first day of the following plan year if the qualified employer has elected to offer coverage during its annual election of coverage period pursuant to Section 6526(d)(1).

(c) The effective date of coverage for a qualified employee described in Section 6528(h) shall be the first day of the month in which the employee became a qualified employee.

Authority: Section 100504, Government Code

Reference: Sections 100502 and 10503, Government Code; 45 CFR §§ 155.720, 155.725, and 156.285

SECTION 6538: DISENROLLMENT AND TERMINATION

(a) A qualified employer may terminate coverage for its qualified employees and their dependents at the end of each month with at least a 10-day notice to the SHOP, as fully set forth in subdivision (e) of this section. If a qualified employer terminates coverage through the SHOP, the SHOP must:

(1) Ensure that each QHP terminates the coverage of the qualified employer's qualified employees enrolled in the QHP through the SHOP; and

(2) Send a notice to each of the qualified employer's qualified employees enrolled in a QHP through the SHOP prior to the effective date of termination specified in subdivision (e) of this section. Such notification must provide information about other potential sources of coverage, including access to individual market coverage through the Exchange.

(b) A qualified employer must request that the SHOP or QHP terminate the coverage of a qualified employee or dependent upon receiving written request by the qualified employee.

(c) The SHOP may initiate termination of a qualified employee's coverage in a QHP or a dependent's coverage in a QHP, and shall permit a QHP issuer to terminate such coverage provided that the QHP issuer makes reasonable accommodations for all individuals with disabilities (as defined by the Americans with Disabilities Act) and complies with any and all requirements for cancellations, rescissions, and nonrenewals pursuant to Health and Safety Code section 1365 and Insurance Code section 10273.4 and relevant state regulations before terminating coverage for such individuals, under the following circumstances:

(1) The qualified employee or dependent is no longer eligible for coverage in a QHP;

(2) The qualified employer fails to pay premiums for coverage, as specified in Section 6532 and any applicable grace period has been exhausted;

(3) The qualified employee's or the qualified employee's dependent coverage is rescinded by the QHP issuer in compliance with Health and Safety Code Section 1389.21 or California Insurance Code Section 10384.17;

(4) The QHP terminates or is decertified as described in 45 CFR § 155.1080;

(5) The qualified employee changes from one QHP to another QHP during an annual employee open enrollment period or special enrollment period in accordance with Sections 6528 and 6530;

(6) Upon the death of the qualified employee or a dependent of a qualified employee;

(7) The qualified employee chooses not to remain enrolled in the QHP at open enrollment;

(8) The qualified employee is no longer an employee or a dependent; and

(9) The qualified employee is newly eligible for Medi-Cal or CHIP, but only if the qualified employee or dependent requests coverage to be terminated.

(d) If a QHP issuer terminates coverage pursuant to subdivision (c)(2) and (4) of this section, the QHP issuer must comply with Section 10273.4 of the California Insurance Code and Section 1365 of the California Health and Safety Code, and relevant state regulations.

(e) Effective Dates of Termination

(1) In the case of a termination in accordance with subsection (a) of this section, the last day of coverage shall be:

(A) The end of the month in which the qualified employer provided notice of termination, if the qualified employer provides at least a 10-day notice to the SHOP; or

(B) If the qualified employer does not provide at least a 10-day notice to the SHOP, the last day of the month following the month in which the qualified employer gave notice of termination.

(2) In the case of a termination in accordance with subdivision (b) of this section, the effective date of termination shall be 14 days after the date of the request or the date requested by the qualified employee, whichever is later, or upon agreement between QHP and the qualified employee.

(3) In the case of a termination in accordance with subdivision (c)(1) of this section, the last day of coverage shall be the last day of the month in which the qualified employee’s eligibility or the eligibility of a qualified employee’s dependent ceased.

(4) In the case of a termination in accordance with subdivision (c)(2) of this section, the last day of coverage shall be consistent with the grace periods in Section 10273.4 of the California Insurance Code and Section 1365 of the California Health and Safety Code, and relevant state regulations.

(5) In the case of a termination in accordance with subdivision (c)(3) of this section, the last day of coverage shall be the day prior to the day the fraud or misrepresentation occurred.

(6) In the case of a termination in accordance with subdivision (c)(4) of this section, the last day of coverage shall be the day before the QHP was decertified or terminated.

(7) In the case of a termination in accordance with subdivision (c)(5) of this section, the last day of coverage in an enrollee's prior QHP shall be the day before the effective date of coverage in his or her new QHP.

(8) In the case of a termination in accordance with subdivision (c)(6) of this section, the last day of coverage shall be the date of death.

(9) In the case of a termination in accordance with subdivision (c)(7) of this section, the last day of coverage shall be the last day of the qualified employer's plan year.

(10) In the case of a termination in accordance with subdivision (c)(8) of this section, the last day of coverage shall be the last day of the month in which the employee or dependent ceased being an employee or dependent.

(11) In the case of a termination in accordance with subdivision (c)(9), the effective date of termination of coverage shall be the day before such other coverage begins.

(f) If a qualified employee's coverage or the coverage of a qualified employee's dependent is terminated pursuant to subdivision (b) of this section, the SHOP shall promptly provide the qualified employee or qualified employee's dependent with a notice of termination of coverage that includes the termination effective date and reason for termination.

Authority: Section 100504, Government Code
Reference: Sections 100502 and 10503, Government Code; 45 CFR §§ 155.720, 155.725, 155.735, and 156.285