

DST POLICIES AND PROCEDURES

DST Reference:	SHP-POL-3013-SHP
Title:	Evaluation of Employing Unit Settlement Agreements Policy
Chapter:	Operations
Current Effective Date:	April 6, 2021
Original Effective Date:	January 23, 2020

Applies to: North Carolina State Health Plan for Teachers and State Employees, a Division of the Department of State Treasurer

Keywords: Settlement Agreement, Employing Units, State Health Plan

Background

N.C. Gen. Stat. § 135-48.46 establishes requirements for employing units entering into settlement agreements with employees or former employees regarding health benefit coverage under the North Carolina State Health Plan for Teachers and State Employees (“Plan”). Employing units must obtain written authorization from the Plan prior to entering into any settlement agreement regarding health benefits covered under the Plan. Additionally, settlement agreements involving the reinstatement of health benefit coverage under the Plan may not exceed one year prior to the date the settlement agreement is executed. In accordance with N.C. Gen. Stat. § 135-48.46, any settlement agreement entered into without the prior review and approval of the Plan or which purported to reinstate health benefit coverage for more than one year prior to the date of the settlement agreement, shall be void *ab initio*.

Purpose

The purpose of this Policy is to outline the process and procedure for employing units to seek authorization from the Plan prior to executing a settlement agreement with an employee or former employee. This Policy also outlines the process the Plan will follow in evaluating these submissions.

This Policy, outlining the Plan’s review of employing unit settlements, is effective January 23, 2020. However, the underlying statutory requirements took effect June 25, 2018 and apply to any settlement agreements entered into on or after that date, including any settlement agreements which were under negotiation on or before that date.

Policy

Employing Unit Request for Settlement Approval: Employing Units shall seek approval from the Plan by submitting an email to HBRinquiries@nctreasurer.com that includes the proposed settlement agreement or the relevant terms of the settlement agreement pertaining to health benefit coverage prior to executing any settlement agreement that includes Plan coverage.

Plan Response to Proposed Settlement: The Plan will respond by email with a letter from the Executive Administrator that either approves or denies the request. In the event of a denial, the Plan will include an explanation of the problem and suggested amendments for reconsideration.

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Roles and Responsibilities

Employee: The employee is responsible for repayment of the employee premiums for the period that health benefits are being reinstated. The employee is also responsible for deductibles and co-insurance for which the employee would have been responsible had the employee been covered by the Plan at the time the expenses were incurred.

Employing Unit: The employing unit is responsible for submitting the proposed settlement agreement, or the terms pertaining to health care benefits, to the Plan for review prior to execution. If the Plan approves the settlement, the employing unit is responsible for notifying the Plan once the settlement is executed and for repayment of the employer premiums for the period that health benefits are being reinstated. The employing unit is additionally responsible for payment of any reinstatement fees invoiced by the Plan. Health benefit coverage will not be retroactively reinstated until all premiums and fees are paid in full.

Plan: The Plan is responsible for evaluating proposed terms of the settlement agreement or the portion of the proposed settlement agreement that pertains to health benefit coverage. If the Plan approves the settlement, the Plan is also responsible for reinstating the employee's coverage after notification from the employing unit that the settlement has been executed and all applicable premiums and fees have been paid.

Implementation Procedure

The employing unit will submit the proposed settlement agreement, or at a minimum the terms pertaining to health care benefits, to the Plan for review. The proposed settlement agreement must be submitted by email to HBRinquiries@nctreasurer.com. The Plan will review the proposed settlement agreement within ten business days. A letter of approval or denial will be sent to the employing unit.

In accordance with N.C. Gen. Stat. § 135-48.46, the Plan will not approve any settlement agreement entered into without the Plan's prior review and approval or which purported to reinstate health benefit coverage for more than one year prior to the date of the settlement agreement. Under no circumstances can the Plan retroactively reinstate health benefits back further than one year from the date a final settlement agreement is executed. If the Plan objects to a proposed settlement agreement, the Plan will notify the employing unit, in writing, of its denial determination. This letter will include the reason for the Plan's denial and any suggested amendments to the problematic language of the settlement agreement.

If the Plan approves the settlement agreement, the letter will specify the date by which the final agreement must be executed. The Plan will reinstate benefits, in accordance with the terms of the agreement, upon receipt of a copy of the final executed settlement agreement so long as the effective date is within the deadline specified in the approval letter. The settlement agreement must be executed by the parties within the timeframe specified in the Plan's approval letter. The employing unit must notify the Plan of the effective date of the settlement to trigger the Plan's processing of the reinstated health benefits in accordance with the terms of the agreement. If the settlement agreement, previously approved by the Plan, is not executed by the date set forth in the approval letter, the Plan's approval expires, and the employing unit must resubmit any future proposed agreement in accordance with this Policy.

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If the proposed settlement agreement is denied, the employing unit shall amend the agreement in accordance with the errors specified in the denial letter and submit the revised agreement for the Plan's reconsideration.

The employee will be retroactively reinstated onto the same health benefit plan with the same dependent coverage that the employee was enrolled in prior to the separation. If the reinstatement period crosses plan years, the employee may be required to provide election information for the new benefit year and complete any required premium credit activities such as a tobacco attestation. Additionally, the employee may not make other retroactive plan changes unless the employee experienced a valid qualifying life event during the period of retroactive reinstatement that would allow a change in plan elections. The employee will have thirty days from the effective date of the settlement agreement to communicate with the Plan to process the qualifying life event and make any allowed changes to health benefit plan elections. If premiums owed are not paid from the settlement proceeds, the Plan will invoice the employee. If the premium is not paid by the due date, the employee's coverage will be canceled and any claims that were processed during the coverage period will be recovered.

Nature of the Policy

This Policy serves as the State Health Plan's nonbinding interpretative statement governing the review of settlement agreements. This Policy defines, interprets, or explains the meaning of the laws and regulations listed above. Those laws or regulations, not this Policy, shall take priority if they conflict in any way.

Enforcement

This policy will be interpreted and enforced by the Plan's Executive Administrator. This Policy may be modified at any time by the Plan's Executive Administrator.

Related Statutes, Rules, and Policies

Session Law 2018-52, Section 8
N.C. Gen. Stat. § 135-48.46
N.C. Gen. Stat. § 135-48.52(6)

Revision/Review History

Version	Date Approved	Description of Changes
1.0	1/23/2020	New Policy
1.1	4/6/2021	Reviewed during 2 nd qtr 2021, minor wording changes

For questions or clarification on any of the information contained in this policy, please contact the policy owner, Sr. Director, Plan Integration, Caroline.Smart@nctreasurer.com. For general questions about department-wide policies and procedures, contact the [DST Policy Coordinator](#).