

# DST POLICIES AND PROCEDURES

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<b>DST Reference:</b>	<b>SHP-POL-3013-SHP</b>
<b>Title:</b>	<b>Evaluation of Employing Unit Settlement Agreements Policy</b>
<b>Chapter:</b>	<b>Operations</b>
<b>Current Effective Date:</b>	<b>February 21, 2023</b>
<b>Original Effective Date:</b>	<b>January 23, 2020</b>

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**Applies to:** North Carolina State Health Plan for Teachers and State Employees

**Keywords:** Employing Units, Settlement Agreement, 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”). No Employing Unit may enter into any settlement agreement with an Employee or Former Employee regarding health benefits covered under the Plan unless the Employing Unit has received written authorization from the Plan’s Executive Administrator. Additionally, no settlement agreement between an Employing Unit and an Employee or Former Employee may reinstate health benefit coverage under the Plan more than one year prior to the date of the settlement agreement. 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 purports to reinstate health benefit coverage more than one year prior to the date of the settlement agreement, shall be void *ab initio*.

## Purpose

This Policy outlines the process for Employing Units to request authorization from the Plan prior to enter into a settlement agreement with an Employee or Former Employee regarding health benefits covered under the Plan. This Policy also outlines the process the Plan will follow to evaluate these requests for authorization.

This Policy was originally 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 Authorization: Prior to entering into any settlement agreement that includes health benefits under the Plan, Employing Units shall seek authorization from the Plan by submitting an email to [HBRinquiries@nctreasurer.com](mailto:HBRinquiries@nctreasurer.com) that includes the proposed settlement agreement or the relevant terms of the settlement agreement pertaining to health benefit coverage.

Plan Response to Proposed Settlement: The Plan will respond by email with a letter from the Executive Administrator that authorizes or denies the request. In the event of a denial, the Plan will include an explanation of the reasons for the denial and (at the Plan’s discretion) suggested amendments to the settlement agreement which may permit the Plan to authorize the agreement as it pertains to health benefit coverage.

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## Roles and Responsibilities

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

Employing Unit: Prior to entering into any settlement agreement with an Employee or Former Employee regarding health benefits under the Plan, the Employing Unit is responsible for submitting the proposed settlement agreement or the terms pertaining to health care benefits to the Plan for review. If the Plan authorizes the settlement or terms, the Employing Unit is responsible for 1) notifying the Plan once the settlement is executed and 2) repayment of the employer premiums for the period that health benefits are being reinstated. The Employing Unit is responsible for payment of any reinstatement fees invoiced by the Plan.

Plan: The Plan is responsible for determining whether the proposed settlement agreement or the relevant terms of the settlement agreement pertaining to health benefit coverage satisfy the statutory limitations. If the Plan authorizes the settlement, the Employing Unit will notify the Plan when the settlement agreement has been executed by providing a fully executed copy of the agreement. At that point, the Plan will reinstate the Employee's coverage.

## Implementation

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](mailto:HBRinquiries@nctreasurer.com). The Plan will review the proposed settlement agreement within ten State business days. The Plan will send the Employing Unit a letter which authorizes or denies authorization of the settlement.

In accordance with N.C. Gen. Stat. § 135-48.46, the Plan will not reinstate coverage under any settlement agreement entered into without the Plan's written authorization, or a settlement agreement which purports to reinstate health benefit coverage for more than one year prior to the date of the settlement agreement. Any such settlement agreement is in violation of the above-named statute and shall be void *ab initio*.

If the Plan does not authorize 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 (at the Plan's discretion) suggested amendments to the settlement agreement which may permit the Plan to authorize the agreement as it pertains to health benefit coverage.

If the proposed settlement agreement is denied, the Employing Unit shall amend the agreement and submit the revised agreement for the Plan's reconsideration.

If the Plan approves the settlement agreement, the letter sent by the Plan to the Employing Unit will specify the date by which the final agreement must be executed. The settlement agreement must be executed by the parties within the timeframe specified in the Plan's approval letter. If the settlement

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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. 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.

The Employee or Former Employee will be retroactively reinstated onto the same health benefit plan with the same dependent coverage that the Employee or Former Employee was enrolled in prior to the separation. If the reinstatement period crosses plan years, the Employee or Former 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.

The Employee or Former Employee may not make other retroactive plan changes unless the Employee or Former Employee experienced a valid qualifying life event during the period of retroactive reinstatement that would allow a change in plan elections. The Employee or Former 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.

## 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

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	Minor wording changes
2.0	2/21/2023	Updated to align language with statute, clarification of written process, re-organization, removed “Nature of the Policy” section

*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](mailto:Caroline.Smart@nctreasurer.com). For general questions about department-wide policies and procedures, contact the [DST Policy Coordinator](#).*