



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

BULLETIN HC - 73
September 2, 2009

TO: All Health Insurers and Health Care Centers Authorized to Conduct Business in Connecticut

SUBJECT: Employer Group Health Insurance Premium Payments for Terminated Employees under Public Act No. 09-126

Beginning October 1, 2009, a new Connecticut Law (Public Act No. 09-126) provides employers an election to terminate an employee's coverage under a group health insurance policy, on termination of employment, under certain conditions.

The new law has generated many inquiries. The Insurance Department is providing the following Questions and Answers containing the Department's interpretation of the new law to assist employers, health insurers and health care centers in complying with the new law.

Public Act 09-126 Questions

1. What is the effective date of the law and what does it apply to?

The law takes effect for specified employee terminations on or after October 1, 2009.

The law applies to group policies issued to employers subject to Connecticut's minimum wage law [Section 31-58 (e), Conn. General Statutes]. It is a broad definition of "Employer" as follows:

"Employer" means any owner or any person, partnership, corporation, limited liability company or association of persons acting directly as, or in behalf of, or in the interest of an employer in relation to employees, including the state and any political subdivision thereof;

2. What situations does the law apply to?

The law applies when an employee voluntarily terminates employment, or when an employer terminates an employee's employment for reasons other than lay-off.

3. What about collective bargaining?

The law does not apply where a collective bargaining agreement requires the employer to pay the premium for an employee under the group health insurance policy after the date of such employee's termination.

4. If an employer elects to terminate the employee's group health insurance coverage upon the termination of employment of an employee (in the situations described in 2 above), what must an employer do?

The employer has 2 obligations within 72 hours of termination of employment:

(a) Notify the health insurer or health care center that it elects to terminate the employee's health insurance, as well as provide the employee's name and other identifying information, date of termination, and whether the employee had dependent coverage, so that the health insurer or health care center can properly process the request.

(b) Notify the employee of the termination of health insurance coverage. It is strongly recommended that the employer notify the employee in writing at the time of the termination of employment, to avoid later possible disputes.

5. What action must a health insurer or health care center take under this new law?

The health insurer or health care center must:

- a) review its current group certificate language concerning termination of an employee's health insurance coverage due to termination of employment, determine if changes are needed, and file amendatory language with the Department, if necessary.
- b) have reasonable procedures in place to quickly receive the termination information from the employer/group policyholder;
- c) when the health insurance is terminated during a month, provide a credit to the employer for the employer's next premium payment. The amount of the credit is the pro rata amount of the remaining monthly premium after the 72 hour period.
- d) when first issuing the group policy and upon each renewal, provide a notice to the employer/group policyholder with relevant information about the employer election feature under this new law, including notice that it is the employer's responsibility to remit to the former employee, his or her share of any credited or returned premium.
- e) if the group policy ends (and the amount of the credit cannot be applied to the next month's premium), the amount must be sent to the employer.

6. On what date does the employee's health insurance terminate?

When the employer has exercised the election and provided the required notices, the coverage terminates 3 calendar days after the termination of employment. (The 3 day period relates to the provision in the law that the health insurer or health care center retain the premium for the 72 hour notice period).

7. What about dependent health insurance coverage?

Coverage ceases for the dependent coverage at the same time as coverage ceases for the employee coverage.

8. What coverages does this new law apply to?

The law does not define health insurance so the Department uses the statutory definition of "health insurance" contained in Section 38a-469, which includes, but is not limited to, hospital, medical-surgical and major medical coverage provided by a health insurer, as well as hospital and medical coverage provided by a health care center.

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9. How does this new law interact with Connecticut state continuation laws (Sections 38a-546 and 38a-554 of the Conn. General Stats.) and federal continuation law (COBRA)?

When the employee's health insurance coverage terminates, the employee under a Connecticut group policy must be offered state continuation, or if the employer has 20 or more employees, federal continuation (COBRA). The state or federal continuation, if elected by the former employee, commences on the day following the termination of group health insurance coverage. This does not apply where the termination is due to the gross misconduct of the employee.

The state continuation rules apply to the types of health insurance described in subdivisions (1), (2),(3) (4), (11), and (12) of Section 38a-469. These are hospital expense coverage, medical-surgical expense coverage, hospital confinement indemnity coverage, and major medical coverage provided by a health insurer as well as hospital and medical service plan coverage and hospital and medical coverage provided by a health care center.

Please contact the Insurance Department Consumer Affairs Division at ctinsdept.consumeraffairs@ct.gov or at 800-203-3447 or 860-297-3900 with any questions.



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