

HOUSE RESEARCH

Bill Summary

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Overview

This bill deals with federal and state continuation laws (often referred to as "COBRA" laws), which specify the right of former employees and their dependents to continue being covered under the employer's plan by paying 102 percent of the full cost of their coverage (no employer contribution). Federal COBRA laws apply to all employers (insured or self-insured) that have 20 or more employees, except for church plans and government plans. Minnesota COBRA laws apply to all insured (not self-insured) employers of any size, and federal law provides that state law governs if it is more favorable to employees than federal law.

This bill would change Minnesota's employee health insurance continuation laws to match federal laws. The bill also creates the alternative of new kind of individual health insurance policy, called a GAP policy, which would be a less-costly alternative that former employees could choose instead of continuation coverage under the employer's group policy. The bill is effective January 1, 2012.

- 1 **Continuation of benefits to survivors.** Changes the state continuation law for coverage of survivors of a deceased employee to match the federal COBRA law for survivors of deceased employees.
- 2 **Group insurance; provision of benefits for disabled employees.** (a) Changes the state continuation law for coverage of totally-disabled employees or former employees to match the federal COBRA law for that category of employees or former employees. This eliminates their open-ended right to continuation under Minnesota law.
 - (b) Offers a new option to permits a totally-disabled employee or former employee, after completing 18 months of continuation coverage, to either:
 - (1) enroll in conversion coverage (individual coverage) required to be offered by the insurer or;
 - (2) enroll in the Minnesota Comprehensive Health Association (Minnesota's high-risk pool), with a waiver of any coverage limit based upon a preexisting health condition. Specifies that either option may be exercised at any time after 18 months of continuation coverage, but before continuation coverage ends after 29 months.

- 3 Termination of or layoff from employment; continuation and conversion rights.**
- Subd. 1. Continuation of coverage.** Offers former employees a new type of policy, called a "GAP policy," as an alternative to continuation coverage.
- Subd. 2. Responsibility of employer.** Clarifies current state law (stated less clearly in existing law about three sentences later) permitting the employer to add a 2-percent administrative charge to the premium. Makes changes to match the federal COBRA law permitting earlier termination of continuation coverage in some situations.
- Subd. 3.** Was repealed in 1987.
- Subd. 4. Responsibility of employer.** Clarifies existing law.
- Subd. 5. Notice of options.** References the right to obtain a GAP policy. Requires employees to pay the GAP insurer directly (not through the employer).
- Subd. 5b.** No changes.
- Subd. 6b. Conversion to individual policy.** Makes conforming changes relating to existing right to conversion coverage.
- Subd. 7. Direct access to a GAP policy.** Specifies the procedure for offering and obtaining a GAP policy. Describes the types of GAP policies that must be made available to former employees.
- 4 Continuation privilege.** Conforms continuation rights of spouses and dependent children of former employees to match the federal COBRA law.
- 5 Continuation privilege.** Conforms continuation rights of former spouses and their children to match the federal COBRA law.