



Legislative Update: ASSEMBLY BILL 1401

Summary:

This bill only affects health insurance plans written in the state of California and all employees covered by those plans.

This bill, effective *July 1, 2003*, would revise coverage requirements for converted policies and would also require a health care service plan and a health insurer to offer specified individuals who begin receiving continuation coverage *on or after January 1, 2003*, and who have exhausted their continuation coverage under Federal continuation coverage provisions an opportunity to extend the term of their coverage to 36 months. The bill would also extend continuation coverage for specified individuals under Cal-COBRA to 36 months.

There is NO ACTION REQUIRED of the Employer OR Igoe & Company UNTIL 2004!

Support:

AB 1401 is in response to Governor Gray Davis' call to develop and implement market-based solutions to improve access to health insurance for medically uninsurable individuals. AB 1401 would provide greater access to health insurance coverage for individuals who are unable to obtain coverage in the individual health insurance market.

This bill is supported by health plans: Health Net, Blue Shield, Blue Cross and Kaiser and consumer groups: Consumers Union, Health Access and the Older Women's League. Generally, supporters argue this bill is a cohesive package designed to increase the number of individuals able to receive individual health insurance coverage, to lengthen continuation coverage under Cal-COBRA for those with less than 36 months of COBRA or Cal-COBRA coverage, and to require conversion policies to be either the most popular HMO or PPO products offered by health plans in the individual market under HIPAA.

Opposition:

The Employers Health Care Coalition of Los Angeles opposes any increase in the extension of Cal-COBRA or limits on conversion policy premiums, as it believes those who take Cal-COBRA are typically substandard risks for which the employer plan must bear the extra costs. Pacific Life Insurance Company opposes this bill unless it is amended as it would force group insurers to file new conversion products every one to two years based on another insurer's PPO benefit structure without the benefit of that other insurer's network agreements. Pacific Life argues this bill creates an uneven playing field and requests that the bill be amended to include an option for

group insurers to continue to offer their Cal-COBRA product as a conversion product at the Cal-COBRA price, instead of the HIPAA product with the rate limitations contained in existing state law.

Specifically, this bill:

1. Requires health plans and health insurers to offer Cal-COBRA coverage for up to 36 months to all Cal-COBRA beneficiaries. Under existing law, Cal-COBRA requires health plans/insurers to offer continuation coverage for employees of employers with 2 to 19 eligible employees and terminates after 18, 29 or 36 months, depending upon the beneficiary's status. This requirement takes effect January 1, 2003 and applies to individuals who begin receiving Cal-COBRA coverage after January 1, 2003.
2. Requires health plans/insurers to offer individuals who have exhausted federal COBRA coverage and who have had less than 36 months of COBRA coverage the opportunity to continue coverage for up to a total of 36 months through a combination of COBRA and Cal-COBRA. COBRA is required under federal law for employers with 20 or more employees and terminates after 18, 29 or 36 months, depending upon the beneficiary's status. If an individual has less than 36 months of COBRA coverage, he or she could receive coverage under Cal-COBRA after COBRA coverage has expired so that the individual has a total of 36 months of continuous coverage. This requirement takes effect September 1, 2003 and applies to individuals who begin receiving COBRA coverage after January 1, 2003.
3. Requires health plans (generally HMOs) to offer conversion coverage if the contract between the health plan and the employer terminates, or an employer's participation in the group health plan terminates, and similar group coverage does not replace that coverage within 15 days.
4. Requires health plans that do not participate in the individual health insurance market to offer the conversion coverage that is either the most popular HMO or most popular PPO product offered by health plans in the individual market under the federal Health Insurance Portability and Accountability Act ("HIPAA") with the rate limitations imposed under SB 265 (Speier), Chapter 810, Statutes of 2000. Health insurers would be required to offer the most popular PPO product under HIPAA and the Knox-Keene Act, with the rate limitations imposed under SB 265.

AB 1401 includes additional language related to the Major Risk Medical Insurance Program (MRMIP). Please note that Igoe & Company Incorporated does not administer Cal-COBRA benefits. We will work with you and your Federal-COBRA Participants to ensure compliance under the new California statute AB 1401.

Upon further clarification, technical correction and compliance needs, we will contact you.

We appreciate your business and wish you a Happy New Year!

Michael C. Igoe, President/CEO