

STATE OF CONNECTICUT

INSURANCE DEPARTMENT

* (COBRA) *

Testimony of the Connecticut Insurance Department

Before
The Insurance and Real Estate Committee

Wednesday, January 27, 2010

RB No. __ An Act Concerning Premium Assistance for COBRA Benefits

Senator Crisco and Representative Fontana, Co-Chairs, Senator Caliguiri and Representative D'Amelio, Ranking Members, and Members of the Committee, the Insurance Department appreciates the opportunity to appear before you today and testify in favor of this bill. My name is Debra Korta, I'm the Legislative Program Manager at the Department and I am accompanied by Tim Lyons, Counsel at the Department.

The Insurance Department supports this bill, and shares the same goal as the Committee, specifically to ensure that Connecticut consumers have access to federal funds allocated to subsidize group health insurance premiums of laid-off workers.

The subject is complicated, and I would like Tim Lyons to provide some background information to provide some context for the bill.

Background

COBRA is a federal law which provides generally that, with respect to private employers with 20 or more employees, terminated employees may continue their group health insurance for up to 18 months. However, the COBRA coverage is expensive for most individuals and families, because under the law, the former employee may be charged 102% of the group rate for such premiums (100% of what the former employer pays plus a 2% administration fee).

In addition to the federal COBRA, Connecticut has a similar continuation law applicable to group health insurance policies issued in Connecticut to Connecticut employers. The Connecticut law's applicability includes group policies issued to employers of less than 20 employees. The type of state continuation law like Connecticut's which is comparable to the federal COBRA (including the 102% of premium), and which sweeps in small employer policies, is often referred to as a state mini-COBRA law.

Due to the high COBRA premiums charged, Congress included provisions for a subsidy of COBRA premiums in the American Recovery and Reinvestment Act of 2009 (ARRA). These subsidy provisions enabled qualifying laid-off employees between September 1, 2008 and December 31, 2009 to receive a 65% premium subsidy on their COBRA benefits for up to 9 months. ARRA generally applied to state mini-COBRA programs as well, with one exception related to individuals who did not elect COBRA coverage or dropped COBRA coverage before ARRA was effective. The Connecticut legislature

acted promptly to close this "loophole" with the passage of Public Act 09-126, so that all eligible Connecticut consumers could qualify for the subsidy.

On December 19, 2009, the President signed the Department of Defense (DOD) Appropriations Act for 2010 which included provisions extending the COBRA premium subsidy to individuals laid-off through February 28, 2010 (earlier cut-off date was December 31, 2009). In addition the subsidy has been extended from 9 months to 15 months.

Under the DOD amendments, it is not as clear that state legislation is required. However, to the extent there is any question or ambiguity on the full applicability of the extended federal subsidy to persons covered under Connecticut state continuation laws, the Department supports and applauds the legislature for introducing this bill to make the rules and applicability in Connecticut as clear as possible. It is particularly important that consumers whose previous subsidy (under ARRA) expired on December 1, 2009 be given the opportunity to have their group health insurance coverage reinstated and to be able to obtain the additional subsidy (under the DOD Act).

This Bill

This bill clarifies the dates applicable to the premium subsidy offers and the notice requirements, as well as containing broad language to cover Connecticut consumers if in the future Congress further extends the subsidies.

The Department has already issued guidance to health insurers and health care centers on the extension of the federal subsidy, so that health insurers and health care centers understand their obligation to work effectively with their small employer/group policyholders on this issue. The Department wants to ensure that eligible Connecticut consumers will receive timely, appropriate notice of their eligibility for the extended premium subsidy. A copy of the Bulletin to health insurers and health care centers is attached.

The passage of this bill will provide the Department with reinforcement of its position with respect to health insurers and health care centers. In addition, the passage will also send a strong message to small employers whose full cooperation is needed.

In conclusion, the Department supports this bill and thanks the Committee for the opportunity to testify.



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

BULLETIN HC – 76
January 13, 2010

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

SUBJECT: Department of Defense Appropriations Act for 2010 (2010 DOD Act)
Extension of COBRA Subsidy / Connecticut's continuation laws

The Connecticut Insurance Department is providing the following information to health insurers and health care centers doing a group health insurance business in Connecticut, with particular emphasis to those health insurers and health care centers with group policyholders that are employers with less than 20 employees.

The President signed the above Act on December 19, 2009, and the Act extends the COBRA 65% premium subsidy from 9 months to 15 months for qualifying individuals and also extends the availability of the subsidy for employees laid off through February 28, 2010 (prior cut-off date was December 31, 2009). The U.S. Department of Labor issued an updated Fact Sheet on January 8, 2010 which outlines the major provisions and requirements. Please click on the COBRA Subsidy Extension button on the Department's website for a copy of this recent U.S. Department of Labor Fact Sheet as well as additional materials related generally to the COBRA Subsidy.

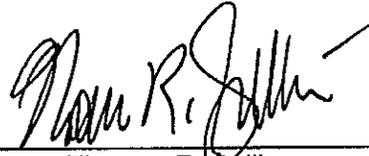
The Department confirms and emphasizes to health insurers and health care centers that the COBRA subsidy and its extension do not apply just to employers of 20 or more employees subject to U.S. Department of Labor jurisdiction. Rather, in addition, the COBRA subsidy and its extension also apply to individuals covered through state continuation laws, sometimes called mini-COBRA laws. Connecticut's continuation laws are "comparable" to the federal continuation law and therefore qualify for the federal subsidy.

Accordingly, former employees covered under group health insurance policies delivered or issued for delivery in Connecticut are eligible for the COBRA subsidy extension, if such individuals meet the conditions specified in the Act and described in the U.S. Department of Labor Fact Sheet. The group health insurance policies affected are those providing one or more of the following coverages: hospital expense coverage, medical - surgical expense coverage, hospital indemnity coverage, major medical coverage, hospital or medical service plan contract, and hospital and medical coverage provided to subscribers of a health care center.

The Connecticut Insurance Department reminds, and wants to make health insurers and health care centers clearly aware, that you need to work closely with your small employer/group policyholders (employers with less than 20 employees) to ensure that the required notices (as set forth in the U.S. Department of Labor Fact Sheet) are provided on a timely basis to impacted Connecticut consumers. It is imperative that you provide guidance to employer groups, particularly small employer groups, as well as producers and brokers servicing these groups, concerning the required notices, as well as provide information on retroactive premium payment and reinstatement procedures for those individuals whose COBRA subsidy expired on December 1, 2009. The

Department wants to ensure that all impacted Connecticut consumers receive appropriate notice and have the opportunity to take advantage of the extended federal subsidy.

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.

A handwritten signature in black ink, appearing to read "Tom R. Sullivan", written over a horizontal line.

Thomas R. Sullivan
Insurance Commissioner