

Bulletin 306

Miscellaneous Health Insurance Issues

Effective date of Small Group or Individual Medical Policies

In the past, company practices have varied as to the effective date of coverage. Some companies have allowed effective dates only on the first of the month following application. This has created problems for applicants whose prior coverage terminates on other than the last day of a month. For example, an individual whose prior coverage ends on January 21 must either choose a January 1 effective date for the new policy and pay for duplicate coverage for three weeks or choose a February 1 date and have no coverage for ten days. Requiring applicants to wait until the first of the month for coverage to take effect in such situations is not consistent with the guaranteed issue requirements of Title 24-A M.R.S.A. §§ 2736-C and 2808-B. All carriers offering individual or small group coverage in Maine must allow policies to take effect on the day following termination of the prior policy.

Continuation of Group Coverage for non-COBRA Plans

Title 24-A M.R.S.A. § 2809-A(11) requires continuation of group coverage under certain circumstances for groups not subject to federal COBRA requirements. Continuation is required "if the termination of an individual's group insurance coverage is a result of the member or employee being temporarily laid off or losing employment because of an injury or disease that the employee claims to be compensable under [workers' compensation]." There has been some confusion as to whether this applies to all temporary layoffs or only those resulting from a work-related injury or disease. The requirement does apply to all temporary layoffs.

Small Group Coverage for Seasonal Businesses and Seasonal Employees

Bulletins 230 and 285 clarified that under Maine's small group law, employees who work at least 26 weeks per year are eligible employees and businesses that operate at least 26 weeks per year are eligible groups. However, there has been some confusion as to eligibility during the off season. A seasonal employee is in a temporary layoff status during the off season if there is a reasonable expectation that he or she will be returning to the same position the following season. Therefore, such employees are entitled to COBRA coverage for groups subject to COBRA or to continued group coverage under 24-A M.R.S.A. Sec. 2809-A(11). These employees should not be counted for purposes of participation requirements if the determination is made during the time they are not working.

Rule 940

Several questions have arisen concerning Bureau of Insurance Rule 940, "Requirements for Health Insurance Rate Filings and Data Reporting," which became effective on March 1, 2000.

- Section 6(E)(11) of the Rule refers to "the minimum loss ratio determined according to section 5." However, Section 5 does not address loss ratios. This provision should refer to "the minimum loss ratio determined according to sections 7 or 8." This will be corrected when the Rule is amended.
- Appendix A of the rule requires annual data reporting on or before April 30 by carriers offering small group or individual medical insurance in Maine. However, Paragraphs I(B) and II(B) of Appendix A state that rate information is due by January 1. This is in error. All reporting under Appendix A is due by April 30. This will be corrected when the Rule is amended.
- The last sentence in Paragraph I(B) of Appendix A reads, "For the Standardized Plans in Table 2, provide January 1 individual premiums and the adjustment factors for each of the deductible levels on the indemnity plans." The intent of this language is to give the carrier a choice between providing the rates for each deductible or providing rates for one deductible and adjustment factors that can be applied to determine rates for the other deductibles. This language will be clarified when the Rule is amended.

January 16, 2001 _____
Alessandro A. Iuppa

Superintendent of Insurance

NOTE: This bulletin is intended solely for informational purposes. It is not intended to set forth legal rights, duties or privileges nor is it intended to provide legal advice. Readers are encouraged to consult applicable statutes and regulations and to contact the Bureau of Insurance if additional information is needed.