



200 St. Paul Place, Suite 2700 Baltimore, Maryland 21202
Direct Dial: 410-468-2000 Fax: 410-468-2020
1-800-492-6116 TTY: 1-800-735-2258
www.mdinsurance.state.md.us

Consumer Advisory: What Employees and Employers Should Know About Continuation of Health Coverage when an Employee is Terminated

Both federal and state law requires employers to offer employees who lose group health care coverage the ability to continue their health coverage. COBRA is the federal law that requires employers with 20 or more employees to provide coverage. You may obtain more information about COBRA by referring to *A Consumer Guide to Health Insurance* at www.mdinsurance.state.md.us/sa/docs/documents/consumer/publicnew/consumerguidetohealthinsurance.pdf or by contacting the United States Department of Labor at 866-444-3272 or www.dol.gov.

Maryland law applies to contracts issued to employers, including employers with fewer than twenty employees. The Maryland law applies only if the contract is issued or delivered in Maryland. If the law applies, it requires insurers and HMOs to offer continuation coverage to employees who voluntarily terminate their employment or who are involuntarily terminated from employment, unless the termination is for cause. In order to qualify for coverage, the former employee must be a Maryland resident and have been covered under the employer's health contract for at least three months before the date of termination.

At the time of termination, employers must notify their employees of the right to continue health coverage. The employer should provide the employee with a Continuation Election Form, which may be used by the employee to notify the employer that they wish to continue health coverage. The former employee must submit a written request for continuation coverage with 45 days of the date the employee left employment. The former employee is responsible for paying the entire cost of the health insurance coverage. The employee pays the premium to the employer or the insurer designated by the employer each month. The employer is permitted to add an administrative fee of up to 2% of the premium to the cost.

The continuation coverage ends after 18 months. It will end prior to that time if:

- a) the employee fails to make a timely payment.
- b) the individual becomes eligible for another group health policy.
- c) the individual terminates coverage.
- d) the employer stops offering group health benefits.
- e) the individual obtains individual health insurance.
- f) The employee becomes entitled to Medicare.

These requirements do not apply to self funded or federal plans.

The American Recovery and Reinvestment Act of 2009 (ARRA) provides a premium reduction for continuation coverage for individuals who lose group health coverage because they are involuntarily terminated between September 1, 2008 and December 31, 2009.

Individuals who qualify for this reduction will only need to pay 35% of the health premium. The premium reduction begins with the first period of insurance after the enactment of the ARRA. This means that for most people who were terminated from employment before the enactment of ARRA, the reduction will begin with the March, 2009 premium.

If you worked for an employer with 20 or more employees, contact the employer about applying for the premium reduction. If you worked for an employer with fewer than 20 employees, you should contact the insurer or HMO that issued your health benefit plan to learn how they will apply this to your policy. To find out more details about the premium reduction and the rules regarding notice of this reduction, go to www.dol.gov/COBRA, www.cms.hhs.gov/COBRAContinuationofCov or www.irs.gov.