

Texas Law Regarding Continuation of Coverage for Terminated Employees

(Applicable to most fully insured groups located in Texas, even if not subject to COBRA- provide to all participants prior to the scheduled termination of group health coverage and/or the scheduled termination of COBRA coverage) (Not Applicable to Self-Funded or Level Funded Plans, ex: Allsavers; such groups are only subject to COBRA coverage)

State Continuation is a Texas State Insurance rule that allows terminated employees to choose to keep their group health insurance for a period of time after they leave employment. It is similar to COBRA in the way it works. Most all fully insured clients that are located in Texas are subject to Texas State Continuation, even if not subject to COBRA laws. If you have less than 20 employees and do not have to offer COBRA, you must still offer State Continuation. A new Texas law enacted June 21, 2009, changes the way that State Continuation works. Some of these changes were designed to help employees who have lost their jobs to keep their health coverage. State Continuation laws apply to non-COBRA fully insured groups, including church groups, and may also apply to certain members coming off COBRA. Here are the provisions of the law:

- I. It extends standard state continuation coverage from 6 to 9 months for employees losing coverage, and 36 months for dependents that lose coverage due to divorce, death, retirement, or achieving the maximum dependent age.
- II. The employer provides notice to employee upon termination, the initial premium payment is due within 45 days of the first day of coverage, and premium payments thereafter are due within 30 days of the due date.

Changes to post-COBRA continuation for fully insured groups only.

- I. If an employee has taken COBRA, then when that runs out they can elect to continue their coverage under Texas State Continuation. The employee will have 60 days to elect State Continuation, the initial premium payment is due within 45 days of the first day of coverage, premium payments thereafter are due within 30 days of the due date, and coverage remains at 6 months for post-COBRA (not 9 months). For example: if an employee has used up all 18 months of COBRA, then when that runs out, they can elect to keep their coverage for an additional 6 months under State Continuation.

For frequently asked questions, visit the Texas Department of Insurance at <http://www.tdi.state.tx.us/consumer/cpmrecoveryact.html>.