
By: Delegates Redmer and Ports

Introduced and read first time: February 21, 1997

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Health Insurance - Continuation Coverage for Dependent Children**

3 FOR the purpose of requiring certain group contracts of health insurance to provide
4 continuation coverage for a certain period of time to dependent children after they
5 reach a certain limiting age; providing for the nature of and payment for
6 continuation coverage; establishing an election period for continuation coverage;
7 requiring a certain statement in certificates issued to insureds; establishing certain
8 duties of the Insurance Commissioner as to continuation coverage; providing for
9 certain notice of the availability of continuation coverage; providing that an
10 employer that fails to provide certain notices or forms or that terminates
11 continuation coverage under certain circumstances is not liable for certain benefits;
12 and generally relating to continuation coverage for dependent children who reach
13 the limiting age under group contracts of health insurance.

14 BY adding to

15 Article - Insurance

16 Section 15-410.1

17 Annotated Code of Maryland

18 (1995 Volume and 1996 Supplement)

19 (As enacted by Chapter _____ (H.B.11) of the Acts of the General Assembly of

20 1997)

21 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF

22 MARYLAND, That the Laws of Maryland read as follows:

23 **Article - Insurance**

24 15-410.1.

25 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
26 INDICATED.

27 (2) "CHANGE IN STATUS" MEANS THE ATTAINMENT BY A DEPENDENT
28 CHILD OF THE INSURED OF THE LIMITING AGE UNDER THE TERMS OF THE POLICY
29 OR CONTRACT.

1 (3) "DEPENDENT CHILD" MEANS A CHILD OF THE INSURED WHO WAS
2 COVERED UNDER A GROUP CONTRACT AS AN ELIGIBLE DEPENDENT OF THE
3 INSURED IMMEDIATELY BEFORE THE CHANGE IN STATUS.

4 (4) "GROUP CONTRACT" MEANS:

5 (I) AN INSURANCE CONTRACT OR POLICY THAT IS ISSUED OR
6 DELIVERED IN THE STATE TO THE EMPLOYER OF THE INSURED BY AN INSURER OR
7 NONPROFIT HEALTH SERVICE PLAN AND THAT PROVIDES GROUP HOSPITAL,
8 MEDICAL, OR SURGICAL BENEFITS TO THE EMPLOYEES OF THE EMPLOYER ON AN
9 EXPENSE-INCURRED BASIS; OR

10 (II) A CONTRACT BETWEEN THE EMPLOYER OF AN INSURED AND
11 A HEALTH MAINTENANCE ORGANIZATION CERTIFIED UNDER TITLE 19, SUBTITLE 7
12 OF THE HEALTH - GENERAL ARTICLE THAT PROVIDES GROUP HOSPITAL, MEDICAL,
13 OR SURGICAL BENEFITS TO THE EMPLOYEES OF THE EMPLOYER.

14 (5) "INSURED" MEANS AN EMPLOYEE WHO IS A RESIDENT OF THE
15 STATE AND IS COVERED UNDER A GROUP CONTRACT.

16 (B) (1) EACH GROUP CONTRACT IN FORCE ON THE DATE OF THE CHANGE
17 IN STATUS SHALL PROVIDE CONTINUATION COVERAGE IN ACCORDANCE WITH THIS
18 SECTION.

19 (2) SUBJECT TO SUBSECTION (C) OF THIS SECTION, IF CONTINUATION
20 COVERAGE IS ELECTED BY OR ON BEHALF OF A DEPENDENT CHILD OF THE
21 INSURED, THE GROUP CONTRACT SHALL PROVIDE CONTINUATION COVERAGE TO
22 THE DEPENDENT CHILD OF THE INSURED AFTER A CHANGE IN STATUS.

23 (C) CONTINUATION COVERAGE THAT IS ELECTED BY OR ON BEHALF OF A
24 DEPENDENT CHILD UNDER THE GROUP CONTRACT SHALL BEGIN ON THE DATE OF
25 THE CHANGE IN STATUS AND END ON THE EARLIEST OF THE FOLLOWING:

26 (1) 18 MONTHS AFTER THE DATE OF THE CHANGE IN STATUS;

27 (2) THE DATE ON WHICH THE INSURED OR DEPENDENT CHILD FAILS TO
28 MAKE TIMELY PAYMENT OF AN AMOUNT REQUIRED UNDER SUBSECTION (D)(2) OF
29 THIS SECTION;

30 (3) THE DATE ON WHICH THE DEPENDENT CHILD BECOMES ELIGIBLE
31 FOR HOSPITAL, MEDICAL, OR SURGICAL BENEFITS UNDER AN INSURED OR
32 SELF-INSURED GROUP HEALTH BENEFIT PROGRAM OR PLAN, OTHER THAN THE
33 GROUP CONTRACT, THAT IS WRITTEN ON AN EXPENSE-INCURRED BASIS OR IS WITH
34 A HEALTH MAINTENANCE ORGANIZATION;

35 (4) THE DATE ON WHICH THE DEPENDENT CHILD ACCEPTS HOSPITAL,
36 MEDICAL, OR SURGICAL COVERAGE UNDER A NONGROUP CONTRACT OR POLICY
37 THAT IS WRITTEN ON AN EXPENSE-INCURRED BASIS OR IS WITH A HEALTH
38 MAINTENANCE ORGANIZATION;

39 (5) THE DATE ON WHICH THE DEPENDENT CHILD ELECTS TO
40 TERMINATE COVERAGE UNDER THE GROUP CONTRACT; OR

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1 (6) THE DATE ON WHICH THE EMPLOYER CEASES TO PROVIDE
2 BENEFITS TO ITS EMPLOYEES UNDER A GROUP CONTRACT.

3 (D) CONTINUATION COVERAGE UNDER THIS SECTION SHALL:

4 (1) BE IDENTICAL TO THE COVERAGE OFFERED UNDER THE GROUP
5 CONTRACT TO SIMILARLY SITUATED INDIVIDUALS FOR WHOM THERE HAS NOT
6 BEEN A CHANGE IN STATUS;

7 (2) REQUIRE THE DEPENDENT CHILD OR INSURED TO PAY TO THE
8 EMPLOYER AN AMOUNT THAT DOES NOT EXCEED:

9 (I) THE SUM OF THE EMPLOYER CONTRIBUTION FOR A
10 DEPENDENT CHILD AND ANY CONTRIBUTION THAT THE INSURED WOULD HAVE
11 BEEN REQUIRED TO PAY IF THERE HAD NOT BEEN A CHANGE IN STATUS; AND

12 (II) A REASONABLE ADMINISTRATIVE FEE THAT IS SUBJECT TO
13 REVIEW AND APPROVAL BY THE COMMISSIONER; AND

14 (3) ALLOW THE PAYMENT OF THE AMOUNT SPECIFIED IN PARAGRAPH
15 (2) OF THIS SUBSECTION IN MONTHLY INSTALLMENTS IF THE DEPENDENT CHILD OR
16 INSURED ELECTS TO DO SO.

17 (E) (1) TO ELECT CONTINUATION COVERAGE PROVIDED UNDER THIS
18 SECTION, A DEPENDENT CHILD OR INSURED SHALL SUBMIT A SIGNED ELECTION
19 NOTIFICATION FORM TO THE INSURED'S EMPLOYER DURING THE ELECTION
20 PERIOD.

21 (2) THE ELECTION PERIOD FOR CONTINUATION COVERAGE UNDER
22 THIS SECTION BEGINS ON THE DATE OF THE CHANGE IN STATUS AND ENDS AT
23 LEAST 45 DAYS AFTER THAT DATE.

24 (3) WITHIN 14 DAYS AFTER RECEIPT OF A REQUEST FOR AN ELECTION
25 NOTIFICATION FORM, THE EMPLOYER SHALL DELIVER OR SEND BY FIRST CLASS
26 MAIL THE ELECTION NOTIFICATION FORM TO THE DEPENDENT CHILD OR INSURED.

27 (F) EACH CERTIFICATE ISSUED TO AN INSURED UNDER A GROUP CONTRACT
28 SHALL INCLUDE A STATEMENT, IN THE MANNER AND FORM APPROVED BY THE
29 COMMISSIONER, THAT ADVISES THE INSURED OF THE FOLLOWING:

30 (1) THE AVAILABILITY OF CONTINUATION COVERAGE UNDER THIS
31 SECTION;

32 (2) A SUMMARY OF THE ELIGIBILITY FOR AND DURATION OF THE
33 CONTINUATION COVERAGE; AND

34 (3) THE PROCEDURE FOR MAKING AN ELECTION TO RECEIVE
35 CONTINUATION COVERAGE IF A CHANGE IN STATUS OCCURS.

36 (G) THE COMMISSIONER SHALL:

37 (1) PUBLISH AT LEAST ANNUALLY IN THE MARYLAND REGISTER AND
38 IN A NEWSPAPER OF GENERAL CIRCULATION IN EACH COUNTY NOTICE THAT
39 DESCRIBES THE CONTINUATION COVERAGE REQUIRED UNDER THIS SECTION;

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1 (2) PRESCRIBE BY REGULATION THE FORM AND CONTENT OF THE
2 ELECTION NOTIFICATION FORM; AND

3 (3) MAKE ELECTION NOTIFICATION FORMS AVAILABLE TO EACH
4 EMPLOYER WHOSE EMPLOYEES ARE COVERED BY A GROUP CONTRACT.

5 (H) NOTICE OF THE AVAILABILITY OF CONTINUATION COVERAGE UNDER
6 THIS SECTION SHALL BE PROVIDED BY:

7 (1) THE EMPLOYER; AND

8 (2) THE SECRETARY OF BUSINESS AND ECONOMIC DEVELOPMENT AS
9 SPECIFIED IN § 8-805(C) OF THE LABOR AND EMPLOYMENT ARTICLE.

10 (I) AN EMPLOYER THAT FAILS TO PROVIDE NOTICE OR AN ELECTION
11 NOTIFICATION FORM UNDER THIS SECTION IS NOT LIABLE TO THE INSURED OR ANY
12 OTHER COVERED INDIVIDUAL FOR BENEFITS THAT OTHERWISE WOULD HAVE
13 BEEN PAYABLE OR FOR OTHER DAMAGES THAT RESULT FROM THE FAILURE TO
14 PROVIDE THE NOTICE OR FORM.

15 (J) AN EMPLOYER THAT TERMINATES CONTINUATION COVERAGE AFTER
16 NOTICE OR NONPAYMENT OF AN AMOUNT REQUIRED UNDER SUBSECTION (D)(2) OF
17 THIS SECTION BY THE DEPENDENT CHILD OR INSURED, OR AN INSURER THAT
18 TERMINATES CONTINUATION COVERAGE AFTER NOTICE BY THE EMPLOYER, IS NOT
19 LIABLE TO THE DEPENDENT CHILD OR INSURED FOR BENEFITS THAT OTHERWISE
20 WOULD HAVE BEEN PAYABLE UNDER THIS SECTION IF THE TERMINATION:

21 (1) IS MADE IN GOOD FAITH;

22 (2) IS REASONABLE UNDER THE CIRCUMSTANCES; AND

23 (3) IS NOT THE RESULT OF A MUTUAL OR MATERIAL MISTAKE OF FACT.

24 (K) THIS SECTION DOES NOT AFFECT OR LIMIT THE RIGHT OF A DEPENDENT
25 CHILD TO CONVERSION PRIVILEGES UNDER A GROUP CONTRACT.

26 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
27 October 1, 1997.