
By: **Delegates Redmer and Ports**
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CHAPTER _____

1 AN ACT concerning

2 **Health Insurance - Continuation Coverage - Voluntary Termination of**
3 **Employment**

4 FOR the purpose of altering, for purposes of continuation coverage under health
5 insurance, the definition of "change in status" to include voluntary termination
6 of the insured's employment by the insured employee; requiring certain group
7 contracts of health insurance to provide certain continuation coverage to the
8 insured after the voluntary termination of the insured's employment for a
9 certain period of time and in a certain manner; authorizing an insured or
10 authorized representative to elect certain continuation coverage within a certain
11 period of time after the voluntary termination of the insured's employment;
12 providing for the application of this Act; and generally relating to continuation
13 coverage under health insurance.

14 BY repealing and reenacting, with amendments,
15 Article - Insurance
16 Section 15-409
17 Annotated Code of Maryland
18 (1997 Volume and 2001 Supplement)

19 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
20 MARYLAND, That the Laws of Maryland read as follows:

21 **Article - Insurance**

22 15-409.

23 (a) (1) In this section the following words have the meanings indicated.

1 (2) (I) "Change in status" means the [involuntary] termination of the
2 insured's employment other than for cause.

3 (II) "CHANGE IN STATUS" INCLUDES:

4 1. INVOLUNTARY TERMINATION OF THE INSURED'S
5 EMPLOYMENT OTHER THAN FOR CAUSE; AND

6 2. VOLUNTARY TERMINATION OF THE INSURED'S
7 EMPLOYMENT BY THE INSURED EMPLOYEE.

8 (3) "Group contract" means:

9 (i) an insurance contract or policy that is issued or delivered in the
10 State to the employer of the insured by an insurer or nonprofit health service plan
11 and that provides group hospital, medical, or surgical benefits to the employees of the
12 employer on an expense-incurred basis; or

13 (ii) a contract between the employer of an insured and a health
14 maintenance organization certified under Title 19, Subtitle 7 of the Health - General
15 Article that provides group hospital, medical, or surgical benefits to the employees of
16 the employer.

17 (4) "Insured" means an employee who is a resident of the State and
18 covered under a current or predecessor group contract with the same employer for at
19 least 3 months before the change in status.

20 (b) (1) Each group contract in force on the date of the change in status shall
21 provide continuation coverage in accordance with this section.

22 (2) Subject to subsection (c) of this section, if continuation coverage is
23 elected by or on behalf of an insured, the group contract shall provide continuation
24 coverage to the insured after a change in status.

25 (c) Continuation coverage that is elected by or on behalf of the insured under
26 the group contract shall begin on the date of the change in status and end on the
27 earliest of the following:

28 (1) 18 months after the date of the change in status;

29 (2) the date on which the insured fails to make timely payment of an
30 amount required under subsection (d)(2) of this section;

31 (3) the date on which the insured becomes eligible for hospital, medical,
32 or surgical benefits under an insured or self-insured group health benefit program or
33 plan, other than the group contract, that is written on an expense-incurred basis or is
34 with a health maintenance organization;

35 (4) the date on which the insured becomes entitled to benefits under
36 Title XVIII of the Social Security Act;

1 (5) the date on which the insured accepts hospital, medical, or surgical
2 coverage under a nongroup contract or policy that is written on an expense-incurred
3 basis or is with a health maintenance organization;

4 (6) the date on which the insured elects to terminate coverage under the
5 group contract; or

6 (7) the date on which the employer ceases to provide benefits to its
7 employees under a group contract.

8 (d) Continuation coverage under this section shall:

9 (1) be provided without evidence of insurability or additional waiting
10 periods;

11 (2) require the insured to pay to the employer an amount that does not
12 exceed:

13 (i) the sum of the employer contribution and any contribution that
14 the insured would have been required to pay if there had not been a change in status;
15 and

16 (ii) a reasonable administrative fee that is subject to review and
17 approval by the Commissioner;

18 (3) allow the payment of the amount specified in paragraph (2) of this
19 subsection in monthly installments if the insured elects to do so;

20 (4) be identical to the coverage offered under the group contract to
21 similarly situated individuals for whom there has not been a change in status; and

22 (5) be available to the spouse and dependent children of the insured if:

23 (i) the group contract provides benefits for spouses and dependent
24 children; and

25 (ii) the insured's spouse and dependent children were covered
26 under the group contract before the change in status.

27 (e) (1) To elect continuation coverage provided under this section, an
28 insured or authorized representative shall submit a signed election notification form
29 to the insured's employer during the election period.

30 (2) The election period for continuation coverage under this section
31 begins on the date of the change in status and ends at least 45 days after that date.

32 (3) Within 14 days after receipt of a request for an election notification
33 form, the employer shall deliver or send by first class mail the election notification
34 form to the insured or authorized representative.

1 (f) Each certificate issued to an insured under a group contract shall include
2 a statement, in a manner and form approved by the Commissioner, that advises the
3 insured of the following:

4 (1) the availability of continuation coverage under this section;

5 (2) a summary of the eligibility for and duration of the continuation
6 coverage; and

7 (3) the procedure for making an election to receive continuation coverage
8 if a change in status occurs.

9 (g) The Commissioner shall:

10 (1) publish at least annually in the Maryland Register and in a
11 newspaper of general circulation in each county notice that describes the continuation
12 coverage required under this section;

13 (2) prescribe by regulation the form and content of the election
14 notification form; and

15 (3) make election notification forms available to each employer whose
16 employees are covered by a group contract.

17 (h) Notice of the availability of continuation coverage under this section shall
18 be provided by:

19 (1) the employer; and

20 (2) the Secretary of Business and Economic Development as specified in
21 § 8-805(c) of the Labor and Employment Article.

22 (i) An employer that fails to provide notice or an election notification form
23 under this section is not liable to the insured or any other covered individual for
24 benefits that otherwise would have been payable or for other damages that result
25 from the failure to provide the notice or form.

26 (j) An employer that terminates continuation coverage after notice or
27 nonpayment of an amount required under subsection (d)(2) of this section by the
28 insured or other covered individual, or an insurer that terminates continuation
29 coverage after notice by the employer, is not liable to the insured or other covered
30 individual for benefits that otherwise would have been payable under this section if
31 the termination:

32 (1) is made in good faith;

33 (2) is reasonable under the circumstances; and

34 (3) is not the result of a mutual or material mistake of fact.

1 (k) This section does not affect or limit the right of an insured to conversion
2 privileges under a group contract.

3 SECTION 2. AND BE IT FURTHER ENACTED, That the benefits required
4 under this Act shall be available to eligible individuals on and after the effective date
5 of this Act, notwithstanding any policy or benefit statement to the contrary.

6 ~~SECTION 2.~~ 3. AND BE IT FURTHER ENACTED, That this Act shall take
7 effect October 1, 2002.