

SPONSORS MEMO:

**NEW YORK STATE SENATE
INTRODUCER'S MEMORANDUM IN SUPPORT
submitted in accordance with Senate Rule VI. Sec 1**

BILL NUMBER: S5471

SPONSOR: BRESLIN

TITLE OF BILL:

An act to amend the insurance law, in relation to extending state continuation benefits from eighteen months to thirty-six months

PURPOSE:

This bill would help ensure continued access to group health insurance by extending the period of continuation coverage under a group contract or group remittance contract from 18 months to 36 months.

SUMMARY OF PROVISIONS:

Section 1 of the bill would amend Insurance Law § 3221 to require commercial insurers offering group policies to extend the period of state continuation coverage from 18 months to 36 months for employees or members. Section 1 of the bill would also allow an employee or member who has otherwise exhausted federal continuation benefits under the Consolidated Omnibus Budget Reconciliation Act ("COBRA") to maintain coverage for up to 36 months, if the employee or member is entitled to less than 36 months of federal COBRA benefits.

Section 2 of the bill would amend Insurance Law § 4304 to require not-for-profit corporations and health maintenance organizations ("HMOs") offering group remittance contracts to extend continuation benefits from 18 months to 36 months, under the same terms and conditions as commercial insurers.

Section 3 of the bill would amend Insurance Law § 4305 to require not-for-profit corporations and HMOs offering group contracts to extend continuation benefits from 18 months to 36 months, under the same terms and conditions as commercial insurers.

Section 4 of the bill would provide that the bill take effect on July 1, 2009 and apply to all contracts issued, renewed, modified, altered or amended on or after that date.

EXISTING LAW:

Insurance Law § 3221 (m) permits individuals covered under commercial group or blanket accident and health insurance policies that are not subject to federal COBRA law

to elect to participate in state continuation coverage in the event of job loss, reduction in work hours or loss of eligibility. Such individuals must elect state continuation coverage within 60 days of the event which qualifies them for coverage or within 60 days of receiving notice of the right to elect such coverage. There is no cost to the employer for continuation coverage. The former employee or member pays the full premium, which is capped at 102 percent of the group rate.

The period of continuation coverage for employees or members is limited to 18 months, at which time the former employee loses their right to continuation coverage. In cases where dependents lose coverage due to divorce, separation, or aging off a parent's policy, the period of continuation coverage is 36 months.

Insurance Law § 4304(k) sets forth provisions similar to those of Insurance Law § 3221 (m), permitting the election of state continuation coverage for group remittance contracts with a hospital service, health service or medical expense indemnity corporation.

Insurance Law § 4305(e) sets forth provisions similar to those of Insurance Law 3221 (m), permitting the election of state continuation coverage for group contracts with a hospital service, health service or medical expense indemnity corporation.

Chapter 18 of the Employee Retirement Income Security Act, 29 D.S.C. § 1161, et seq., provides for continuation coverage and additional standards for group health plans.

Chapter 6A of the Public Health Service Act, 42 D.S.C. § 300bb-1, et seq., provides for continuation coverage under State and local group health plans.

The American Recovery and Reinvestment Act of 2009 expanded access to federal COBRA and state continuation benefits for laid-off workers by providing a 9-month, 65% subsidy of premiums.

LEGISLATIVE HISTORY:

This is a new bill.

STATEMENT OF SUPPORT:

COBRA allows workers to continue their group health insurance coverage for 18 months if their employment is involuntarily terminated or if they lose their coverage due to a reduction in work hours. However, COBRA only applies to employers with 20 or more employees. To address this gap, the State's "Mini-COBRA" law requires small employers (with less than 20 employees) to offer an 18-month State health insurance continuation benefit similar to COBRA.

This bill would allow workers, regardless of the size of their employer, to extend their health insurance continuation benefit from 18 months to 36 months, at no direct cost to the State or employers. Currently, those who do not have access to group health

insurance (including those that exhaust their continuation benefits) must purchase coverage on an individual basis. New York's individual health insurance market is standardized, with very comprehensive benefits and prohibitively high premiums. Continuation coverage is available at an average cost of \$400 per month for single coverage. The average cost of individual health insurance coverage currently exceeds \$900 per month (higher in certain regions). While the Healthy NY program offers a less expensive option, it is not available to everyone due to eligibility requirements.

Current national unemployment rates are at a 24-year high. New York's unemployment rate was close to eight percent as of February 2009, up from six percent in November 2008, and climbing at a rate that exceeds the national average. An increasing number of workers are experiencing extended periods of job loss or being forced to work part-time. All of these factors contribute to a loss of group health insurance coverage. Also, as companies downsize, older workers are often offered early retirement options as an alternative to lay-offs. These individuals may not have retiree health benefits, and can be years away from Medicare. This bill extends a more affordable private health insurance option, at no direct cost to the State or employers. This bill would allow individuals to maintain their existing coverage for a longer period of time through continuation coverage. Without such option, many of these individuals would be uninsured after 18 months.

BUDGET IMPLICATIONS:

This bill will have not have a material impact on State finances.

EFFECTIVE DATE:

The bill would take effect on July 1, 2009 and would apply to all contracts issued, renewed, modified, amended or altered on or after that date.