

LEGISLATIVE BILL 318

Approved by the Governor March 14, 1989

Introduced by Banking, Commerce and Insurance Committee,
Landis, 46, Chairperson; Conway, 17;
Wesely, 26; Abboud, 12; Weihing, 48

AN ACT relating to health care coverage; to provide for certain coverage benefits after a change in the employment status or death of a covered employee; and to require certain coverage benefits.

Be it enacted by the people of the State of Nebraska,

Section 1. An employer or employer trust group policy or contract delivered or issued for delivery in this state which provides coverage to a group which, based on the number of employees, is not a group subject to section 162(k) of the Internal Revenue Code and which provides hospital, surgical, or major medical coverage, or any combination of such coverages, on an expense-incurred or service basis by an insurance company or health maintenance organization for employees or their families, but not a policy or contract which provides benefits for specific diseases or for accidental injuries only, shall provide that an employee whose hospital, surgical, or major medical coverage under the group policy or contract would otherwise be terminated because of the involuntary termination of employment of such employee, for reasons other than misconduct in connection with employment, shall be entitled to continue such coverage subject to the provisions of the group policy or contract and the following conditions:

(1) Such coverage shall be continued on a monthly renewal basis until the earliest of the following dates:

(a) The date of expiration of a period of six months following the date the coverage of the terminated employee would otherwise be terminated;

(b) The date the terminated employee becomes eligible for other group hospital, surgical, or medical coverage, whether insured or self-insured, or the date the terminated employee becomes eligible for medicare;

(c) The date of expiration of the monthly period for which premiums were paid in the event of a nonpayment of premium;

(d) The date the terminated employee exercises the privilege provided under the group policy or contract for conversion to an individual or family policy or contract; or

(e) The date on which the group insurance policy or health maintenance organization agreement is terminated or the date the employer or employer trust trustee terminates participation under such policy or agreement;

(2) The monthly premium rate to be charged for such coverage shall not exceed one hundred two percent of the total premium which would have been charged for such coverage had the terminated employee still been a member of the insured group. Such total premium rate shall be paid by the terminated employee. The experience of such coverage shall be charged to the group policy or contract which is in force; and

(3) The interruption of employment due to a labor dispute shall not be considered to be an involuntary termination of employment.

Sec. 2. Not later than ten days following the date of termination of employment of the employee, the employer shall send a notice by certified mail with return receipt requested to the terminated employee at his or her home address as shown on the records of the employer. Such notice shall set forth (1) the right of the terminated employee to elect to continue coverage in accordance with section 1 of this act and the election form to be used in exercising such right, (2) the amount of each monthly premium to be paid by the terminated employee, and (3) the manner, time, and to whom the election form shall be completed and returned and each monthly premium shall be paid.

Sec. 3. If the terminated employee elects to continue such coverage, the election form and the first monthly premium shall be sent by certified mail with return receipt requested to the insurance company or health maintenance organization within ten days after the date of receipt of the notice. Premiums for each subsequent month shall be paid by the terminated employee without further notice to the insurance company or health maintenance organization.

Sec. 4. An employer or employer trust group policy or contract delivered, issued for delivery, or renewed in this state which provides coverage to a group which, based on the number of employees, is not a group subject to section 162(k) of the Internal Revenue Code and which provides hospital, surgical, or major medical coverage, or any combination of such coverages, on an

expense-incurred or service basis by an insurance company or health maintenance organization for employees and their dependents, but not including any policy or contract which provides benefits for specific diseases or for accidental injuries only, shall provide that the covered surviving spouse or covered surviving dependent children whose hospital, surgical, or major medical coverage under the group policy or contract would otherwise be terminated because of the death of such employee shall be entitled to continue such coverage subject to the provisions of the group policy or contract and the following conditions:

(1) Such coverage shall be continued on a monthly renewal basis until the earliest of the following dates:

(a) The date the covered surviving spouse or covered surviving dependent children become eligible for other group hospital, surgical, or major medical coverage, whether insured or self-insured, and with respect to the covered surviving spouse, the date such spouse remarries or the date such spouse becomes eligible for medicare or is covered by medicaid;

(b) The date of expiration of the monthly period for which premiums were paid for the covered surviving spouse or covered surviving dependent children in the event of nonpayment of premium;

(c) The date the covered surviving spouse or covered surviving dependent children exercise any privilege provided under the group policy or contract for conversion to an individual or family policy or contract;

(d) The date on which the group insurance policy or health maintenance organization agreement is terminated or the date the employer or employer trust trustee terminates participation under such policy or agreement; or

(e) The date of expiration of a period of one year following the date the coverage of the deceased employee would otherwise terminate; and

(2) The monthly premium rate to be charged for such coverage shall not exceed one hundred two percent of the total premium which would have been established for such coverage for the covered surviving spouse or covered surviving dependent children had the deceased employee still been a member of the insured group. Such total premium rate shall be paid by the covered surviving spouse or covered surviving dependent children. The experience of such coverage shall be charged to the group policy or contract which is in

force.

Sec. 5. Not later than ten working days following the date of the death of the employee, the employer shall send a notice by certified mail with return receipt requested to the covered surviving spouse or, if there is no covered surviving spouse, to any covered surviving dependent children of the deceased employee at his, her, or their home address as shown on the records of the employer. Such notice shall set forth (1) the right of the covered surviving spouse or the covered surviving dependent children to elect to continue coverage in accordance with section 4 of this act and the election form to be used in exercising such right, (2) the amount of each monthly premium to be paid by the covered surviving spouse or covered surviving dependent children, and (3) the manner, time, and to whom the completed election form shall be returned and each monthly premium shall be paid.

Sec. 6. If the covered surviving spouse or covered surviving dependent children elect to continue such coverage, the election form and the first monthly premium shall be sent by certified mail with return receipt requested to the insurance company or health maintenance organization within thirty-one days after the date of the death of the employee. Premiums for each subsequent month shall be paid by the covered surviving spouse or covered surviving dependent children without further notice.