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(FORM UPDATED: 08/11/2010)

WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

1995-96

(session year)

Assembly

(Assembly, Senate or Joint)

Committee on Insurance, Securities and Corporate Policy...

COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)
(**ab** = Assembly Bill) (**ar** = Assembly Resolution) (**ajr** = Assembly Joint Resolution)
(**sb** = Senate Bill) (**sr** = Senate Resolution) (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

Assembly Committee on Insurance, Securities, and Corporate Policy

DATE 2-26-96
 Moved by Loge Seconded by Green
 AB 799 SB _____ Clearinghouse Rule _____
 AJR _____ SJR _____ Appointment _____
 SR _____ Other _____

A/S Amdt 3744
 A/S Amdt _____ to A/S Amdt _____
 A/S Sub Amdt _____
 A/S Amdt _____ to A/S Sub Amdt _____
 A/S Amdt _____ to A/S Amdt _____ to A/S Sub Amdt _____

- Be recommended for:
- Passage
 - Introduction *of amd*
 - Adoption *unanimous*
 - Rejection
 - Indefinite Postponement
 - Tabling
 - Concurrence
 - Nonconcurrence
 - Confirmation

	Committee Member	Aye	No	Absent	Not Voting
1.	Rep. Sheryl Albers, Chair	✓			
2.	Rep. William Loge, Vice-Chair	✓			
3.	Rep. Gregg Underheim	✓			
4.	Rep. Robin Kreibich	✓			
5.	Rep. Mary Lazich	✓			
6.	Rep. Tim Hoven	✓			
7.	Rep. Frank Lasee	✓			
8.	Rep. Mark Green	✓			
9.	Rep. Al Baldus	✓			
10.	Rep. Barbara Notestein	✓			
11.	Rep. Judy Robson	✓			
12.	Rep. David Cullen	✓			
13.	Rep. Robert Ziegelbauer	✓			
14.					
15.					
16.					
17.					
18.					
Totals		12	0		

MOTION CARRIED MOTION FAILED

Assembly Committee on Insurance, Securities, and Corporate Policy

DATE 2-26-96
 Moved by Orin Seconded by Lorge
 AB 799 SB _____ Clearinghouse Rule _____
 AJR _____ SJR _____ Appointment _____
 A _____ SR _____ Other _____
 A/S Amdt _____
 A/S Amdt _____ to A/S Amdt _____
 A/S Sub Amdt _____
 A/S Amdt _____ to A/S Sub Amdt _____
 A/S Amdt _____ to A/S Amdt _____ to A/S Sub Amdt _____

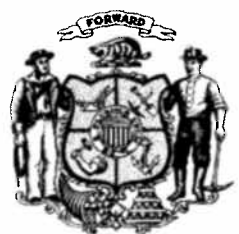
- Be recommended for:
- Passage *as amended*
 - Introduction
 - Adoption
 - Rejection
 - Indefinite Postponement
 - Tabling
 - Concurrence
 - Nonconcurrence
 - Confirmation

	Committee Member	Aye	No	Absent	Not Voting
1.	Rep. Sheryl Albers, Chair	✓			
2.	Rep. William Lorge, Vice-Chair	✓			
3.	Rep. Gregg Underheim	✓			
4.	Rep. Robin Kreibich	✓			
5.	Rep. Mary Lazich	✓			
6.	Rep. Tim Hoven	✓			
7.	Rep. Frank Lasee	✓			
8.	Rep. Mark Green	✓			
9.	Rep. Al Baldus	✓			
10.	Rep. Barbara Notestein	✓			
11.	Rep. Judy Robson	✓			
12.	Rep. David Cullen	✓			
13.	Rep. Robert Ziegelbauer	✓			
14.					
15.					
16.					
17.					
18.					
Totals		12	0		

MOTION CARRIED MOTION FAILED



WISCONSIN STATE LEGISLATURE





Tommy G. Thompson
Governor

Josephine W. Musser
Commissioner

State of Wisconsin / Office of the Commissioner of Insurance

121 East Wilson Street
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**Testimony relating to Assembly Bill 799
before the
Assembly Committee on Insurance, Securities, and Corporate Policy
offered by
Peter C. Farrow, Insurance Administrator
on February 8, 1996**

Good morning. Thank you Representative Albers and members of the committee for the opportunity to provide information regarding Assembly Bill 799 (AB 799), which would require the Office of the Commissioner of Insurance (OCI) to provide information and technical assistance to employees and former employees who lose health insurance coverage. I am Peter Farrow, Insurance Administrator for OCI.

This morning, I will explain continuation and conversion coverage and summarize the bill's impact on OCI.

Continuation and conversion coverage

Continuation and conversion refers to the right of an individual and/or dependents to continue current coverage under the group health insurance policy or to convert that coverage to an individual policy. There are both federal and state laws regarding continuation and conversion rights in health insurance policies.

Federal law

The federal law is a provision of the Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA), and it applies to employers with at least 20 employees who provide their employees health insurance coverage through either insured plans or self-funded plans. Under the federal law, health insurance

coverage must be continued for a specified duration of time and under specific conditions. For example:

- Employees who terminate employment for any reason other than gross misconduct, employees who hours are reduced, and dependents of these employees may continue the group health insurance coverage for up to 18 months.
- Dependents, who meet specific coverage loss requirements, may continue coverage for up to 36 months.
- Disabled employees can continue coverage for up to 29 months.

Wisconsin law

Wisconsin law regarding continuation and conversion coverage applies to insured group plans that provide hospital or medical expenses and not to policies that cover only specified diseases or accidental injuries. The law allows:

- most employees and their dependents to continue group hospital and medical coverage or convert to an individual policy if the affected person(s) would otherwise lose eligibility for the group policy; and,
- spouses to continue coverage under the group policy or convert to an individual policy if they would otherwise lose coverage because of divorce or annulment.

Person(s) continuing group coverage or converting to an individual policy must pay the entire premium for the coverage.

For your reference, I have attached a copy of OCI's fact sheet on continuation and conversion to my testimony. This publication is available at no charge from OCI.

AB 799 establishes two requirements for OCI: (1) provide technical assistance to workers who have lost their health insurance and (2) provide information regarding available health insurance coverage.

Provide technical assistance

Under AB 799, OCI would be required to provide technical assistance to workers who lose their health insurance coverage. At present, OCI plans to fulfill that requirement by combining two tools to provide both immediate assistance and community contact.

Currently, OCI's complaints and information section answers over 50,000 telephone calls per year on insurance-related issues and of these calls about 15–20 calls per week relate to continuation and conversation. This section provides immediate information for individuals who have questions or concerns about their insurance needs.

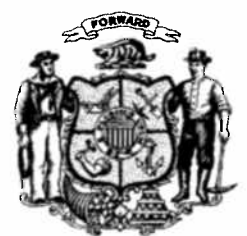
Yet many individuals need personal assistance in order to discern their choices and justified concerns. By creating a community liaison, the displaced workers would receive local assistance in identifying their insurance options and needs. To effectively identify the groups with which the community liaison would interact, OCI will work with the Department of Industry, Labor and Job Development.

Provide health insurance information

Under AB 799, OCI would also be required to provide information regarding health insurance plans available to employees who have lost or will be losing their health insurance coverage. To meet this need efficiently, OCI will expand its publications to include area-specific listings of HMOs and other licensed health insurers, similar to the information available electronically through OCI's World Wide Web Home Site. Again, in addition to expanding available information, OCI also offers its information and complaints section staff as immediate resources for those individuals who have questions.

AB 799 creates a framework for disseminating needed information to individuals who are facing a health insurance "crisis" due to lost employment. OCI takes its role in this process quite seriously and would work cooperatively with the community groups and other state agencies to effectively educate individuals on health insurance options.

Thank you for the opportunity to discuss OCI's support for AB 799. I would be pleased to answer any questions you might have at this time.



WHERE TO GO FOR HELP

For questions about Wisconsin law, contact:

Office of the Commissioner of Insurance
121 E. Wilson Street
P.O. Box 7873
Madison, Wisconsin 53707-7873
(608) 266-0103
1-800-236-8517 (Outside Madison)

For questions about the federal law,

Private employers may contact:

U.S. Department of Labor
Division of Technical Assistance
Pension and Welfare Benefits Administration
200 Constitution Avenue, N.W., Room N-5658
Washington, DC 20210
(202) 219-8776

Public employers may contact:

U.S. Department of Health and
Human Services
Room 17A45 Parklawn Building
5600 Fishers Lane
Rockville, MD 20857
(301) 443-1874

Informal replies for employers:

Assistant Chief Counsel for Employee Benefits
& Exempt Organizations
CC:EE
Internal Revenue Service
1111 Constitution Avenue, Room 5203
Washington, DC 20224
(202) 566-4625

FACT SHEET ON CONTINUATION AND CONVERSION IN HEALTH INSURANCE POLICIES



For information on how to file an insurance
complaint call:

(608) 266-0103 (In Madison)
or
1-800-236-8517 (Outside Madison)

STATE OF WISCONSIN
OFFICE OF THE
COMMISSIONER OF INSURANCE
P.O. BOX 7873
MADISON, WISCONSIN 53707-7873

In 1980, the Wisconsin Legislature passed a law (s. 632.897, Wis. Stat.) relating to continuation and conversion rights in health insurance policies. The federal government passed a law in 1986 that also gives certain individuals the right to continue health care coverage. In some ways the laws are similar, but in other ways they are very different. The federal law does not pre-empt state law, and both laws may apply to a policy. In cases where the federal and state laws differ, it is the opinion of the Office of the Commissioner of Insurance that the law most favorable to the insured is the one that applies.

FEDERAL LAW

In 1986, the federal government enacted a law that gives many persons who would otherwise lose their group health coverage the right to continue coverage under the group plan. This law applies to both insured plans and self-funded, employer-sponsored plans, except that it does not apply to church plans, plans covering less than 20 employees, and plans covering federal employees. This law is frequently referred to as "COBRA."

Under the federal law, employees who terminate employment for any reason other than gross misconduct, those whose hours are reduced, and dependents of these employees may continue the group coverage for up to 18 months. Dependents may continue coverage for up to 36 months if they lose coverage for any of the following reasons: death of the employee, divorce from the employee, the dependent has reached the maximum age under the policy, or the employee becomes eligible for medicare. Disabled employees can continue coverage for up to 29 months.

State law runs concurrent with federal law in cases where both laws apply. There are differences between the two laws, and persons may have to comply with both.

WISCONSIN LAW

The Wisconsin law applies to insured group plans that provide hospital or medical expenses. In the case of divorce or annulment, the law applies to

individual policies that offer the same type coverage.

The law does not apply to policies that cover only specified diseases or accidental injuries.

The law:

- Gives most employees and their dependents the right to continue their group hospital and medical coverage or to convert to an individual policy providing similar benefits if they would otherwise lose eligibility for the group policy.
- Gives spouses who would otherwise lose their coverage because of divorce or annulment the right to continue coverage under the group policy or convert to an individual policy providing similar benefits.
- Provides that the person continuing group coverage or converting to an individual policy must pay the entire premium for the coverage.

The law does not apply to most group policies issued outside Wisconsin unless more than 25% or 150 people insured, whichever is less, are Wisconsin residents, or which are fully self-funded by an employer and subject to federal law.

Note: The right to continue current coverage or to convert to an individual policy is not extended if eligibility for coverage terminates due to discharge for misconduct shown in connection with employment.

COMMONLY ASKED QUESTIONS ABOUT WISCONSIN'S LAW

Who has continuation and conversion rights?

- A former spouse whose coverage ends because of divorce or annulment;
- A group member who is no longer eligible for coverage under a group policy unless

eligibility is lost because of discharge for misconduct;

- The dependents of a group member who is no longer eligible for coverage under a group policy unless eligibility is lost because of discharge for misconduct; and
- The covered spouse or dependent of a group member who dies.

How long may a person continue group coverage after eligibility would otherwise end?

A person may continue group coverage until:

- Residence outside Wisconsin is established; (conversion rights still apply).
- Premiums are not paid;
- The person becomes eligible for similar coverage under another group policy;
- In the case of a divorced person who is continuing under a former spouse's coverage, the former spouse loses eligibility for the group policy; (conversion rights still apply) or
- 18 months of continued group coverage elapse, and the insurance company requires conversion to an individual policy.

Is it possible to continue coverage under a former employer's plan even if one works for a different employer?

Yes, although the coverage may be terminated under any of the circumstances listed above.

If a person becomes eligible for similar group coverage under another group policy, may the person continue previous coverage until the end of any waiting period for preexisting conditions under the new policy?

Yes, if the effect of the waiting period would be to reduce coverage to the point where it is not similar.

Premiums would have to be paid for both coverages and benefits might not be duplicated. Also, the continued coverage could be terminated under any of the other circumstances listed above.

In the event of a divorce or annulment, what rights are provided for the spouse who loses eligibility for group coverage?

If insured under a group policy, the terminated spouse may choose between converting to an individual policy or continuing group coverage. The employer may require the terminated spouse to take single group coverage, rather than family, and to pay the entire premium for the coverage. If insured under an individual policy, the spouse of the insured is eligible to obtain an individual policy in his or her name.

Note: There are now special laws in effect for those who work for small employers (2-25 employees). Contact the Insurance Commissioner's office for more information.

Do continuation or conversion rights extend to people eligible for Medicare?

An insurer must offer continued group coverage, but it need not duplicate benefits paid by Medicare. An insurer is not required to offer or keep in force conversion policies if Medicare benefits and the conversion policy benefits result in overinsurance and the insurer has filed its overinsurance standards with the Commissioner.

Do continuation or conversion rights extend to people whose work hours are reduced or who are on strike?

Yes, because continuation or conversion rights are extended to people who would otherwise lose eligibility for coverage under the group policy. However, if an entire group policy is cancelled (which could happen during a strike), continuation is no longer possible and only conversion rights remain.

What type of conversion policy must an insurer offer?

An insurer must offer at least:

- Coverage similar to that offered under the previous policy, or
- A high-limit comprehensive policy, or
- A choice among three different plans, including basic coverage and two major medical expense policies.

How much must one pay for continuation or conversion coverage?

The cost for continued group coverage is the amount paid by a group member plus any amount paid by the employer for each member.

Under federal law employers may charge up to 102% of the group premium to cover the additional administrative costs.

The insurer issuing the policy determines the cost of conversion policies, and the cost is much higher than the cost of group coverage.

Who is responsible for notifying people of their rights to continuation or conversion?

The employer is required to provide notice in the case of group coverage.

If a couple is covered under an individual (not group) policy and coverage of one spouse ends because of divorce or annulment, the insurer is responsible for giving notice of the right to convert.

What happens if someone is not notified of his or her rights?

Coverage continues if the required premium is paid. If coverage terminates, the aggrieved party may have a basis for a civil action against the employer, former spouse or insurer. The statute itself does not make another party responsible for a terminated insured's medical expenses.

What is meant by "discharge for misconduct shown in connection with his or her employment?"

The statute does not explain this. The courts have decided cases involving the question of misconduct in connection with unemployment compensation cases and might use the same parameters when determining if a person is eligible for continuation/conversion rights. That, however, is up to the courts to decide. The Commissioner of Insurance does not have authority to decide such questions.

Are continuation or conversion rights available if a group policy terminates because an employer goes out of business?

Continuation rights are not available because no group policy exists.

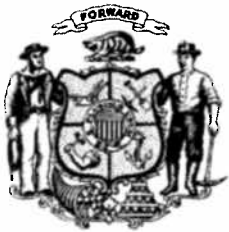
The right to convert to an individual policy providing reasonably similar benefits still applies.

How does an employee's eligibility for family or medical leave through an employer relate to his or her continuation and conversion rights?

Wisconsin law requires employers who employ 50 or more employees on a permanent basis to allow employees who meet certain criteria the right to take family or medical leave. If an employee is on such leave, the employer must maintain group health insurance coverage under the same condition that applied prior to the leave. However, the employee is required to make the same premium contributions that he or she would have made if not on leave. An employee who is unable to return to work at the end of the family or medical leave is then eligible for continuation. The 18 months of eligibility for continuation begins when the family or medical leave ends or when the health insurance coverage would otherwise terminate, not when the family or medical leave began.



WISCONSIN STATE LEGISLATURE



1 insurance in the performance of its responsibilities under s. 601.41 (7). This
2 subsection does not apply to a business closing or mass layoff that is caused by a
3 strike or lockout.”.

4 **3.** Page 1, line 5: substitute “**SECTION 1r**” for “**SECTION 1**”.

5 **4.** Page 2, line 16: after that line insert:

6 “**SECTION 3. Effective dates.** This act takes effect on the day after publication,
7 except as follows:

8 (1) The repeal and recreation of section 109.07 (1m) of the statutes takes effect
9 on July 1, 1996, or on the day after publication, whichever is later.”.

10 (END)

*In the notice - Employee benefit plan must
be included to DHD*