



# State of Wisconsin / Office of the Commissioner of Insurance

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**Testimony relating to Assembly Bill 11  
before the  
Assembly Committee on Government Operations  
offered by  
Peter C. Farrow, Insurance Administrator  
on February 26, 1997**

Good morning. Thank you Chairperson Dobyms and members of the committee for the opportunity to provide information regarding Assembly Bill 11 (AB 11), which would require the Office of the Commissioner of Insurance (OCI) to provide information and technical assistance to employes and former employes 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, as well as what OCI foresees as its role under the requirements of this bill.

## **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 employes who provide their employes 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 11 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 11, 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.

In the past, OCI has assisted employees in plant closing situations and other insurance related situations by offering information and a contact point for additional assistance. When the Pabst Brewery announced its closing, OCI staff contacted both human resources and union officials to provide information on employee rights and options. Staff resources, however, prevent us from making onsite visits.

Closings also offer other complications. When the Telemark Lodge went out of business a few years ago, employees were stunned to learn that their health benefits had not been funded for months. Because the plan was self funded and exempt from state regulation through ERISA, OCI could only provide assistance to the employees in finding other coverage. What we were able to do was answer questions so that they knew definitively what their options were at the time. While we share the frustration in many of these situations because of restrictions in federal law, being able to assist employees on a more comprehensive basis would be helpful.

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. After identifying the needs of a group of employees affected by either a plant closing or layoff, OCI would provide assistance to these individuals both on-site and in an ongoing basis. It is anticipated that onsite visits will generate considerable follow-up contacts with OCI staff, resulting in the additional staff load identified in the fiscal estimate.

#### **Provide health insurance information**

Under AB 11, 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 11 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 11. I would be pleased to answer any questions you might have at this time.

Original     Updated  
 Corrected     Supplemental

1997 Session

LRB or Bill No./Adm. Rule No.  
AB 11 / 1110/1

Amendment No. if Applicable

**FISCAL ESTIMATE**

DOA-2048 N(R10/94)

**Subject**

**PLANT CLOSINGS/LAYOFFS**

**Fiscal Effect**

State:  No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation

- Increase Existing Appropriation     Increase Existing Revenues  
 Decrease Existing Appropriation     Decrease Existing Revenues  
 Create New Appropriation

Increase Costs - May be possible to Absorb  
Within Agency's Budget     Yes     No

Decrease Costs

Local:  No local government costs

1.  Increase Costs  
     Permissive     Mandatory  
2.  Decrease Costs  
     Permissive     Mandatory

3.  Increase Revenues  
     Permissive     Mandatory  
4.  Decrease Revenues  
     Permissive     Mandatory

5. Types of Local Government Units Affected  
 Towns     Villages     Cities  
 Counties     Others  
 School Districts     WTCS Districts

**Fund Sources Affected:**

- GPR     FED     PRO     PRS     SEG     SEG-S

**Affected Ch. 20 Appropriations:**

**Assumptions Used in Arriving at Fiscal Estimate**

Employers, in their notice to the department, will have an additional responsibility of including information about any employee benefit plan they provide to employees. The department will need to notify employers about this additional responsibility. When the notice is received the department must send a copy to the commissioner of insurance. The department can assume these additional responsibilities within current funding.

**Long-Range Fiscal Implications**

Agency/Prepared by:(Name & Phone No.)

DWD / Bond, Dan (266-0745)

Authorized Signature/Telephone No.

*Rob Nette*

2/10/97

Date

02/06/97

# Fiscal Estimate Worksheet

Detailed Estimate of Annual Fiscal Effect  
DOA-2047(R10/94)

Original       Updated  
 Corrected       Supplemental

LRB or Bill No./Adm Rule No. AB 11 / 1110/1	Amendment No.
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Subject  
PLANT CLOSINGS/LAYOFFS

I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

II. Annualize Costs:	Annualized Fiscal Impact on Stated funds from:	
	Increased Costs	Decreased Costs
<b>A. State Costs (by Category)</b>		
State Operations - Salaries & Fringes	\$0	- \$0
(FTE Position Changes)	(FTE)	(- FTE)
State Operations - Other Costs	\$0	- \$0
Local Assistance	\$0	- \$0
Aids to Individuals or Organizations	\$0	- \$0
<b>TOTAL State Costs by Category</b>	<b>\$0</b>	<b>- \$0</b>
<b>B. State Costs (by Fund Source)</b>	<b>Increased Costs</b>	<b>Decreased Costs</b>
GPR:	\$0	- \$0
FED:	\$0	- \$0
PRO/PRS:	\$0	- \$0
SEG/SEG-S:	\$0	- \$0
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>	<b>Increased Rev.</b>	<b>Decreased Rev.</b>
GPR Taxes:	\$0	- \$0
GPR Earned:	\$0	- \$0
FED:	\$0	- \$0
PRO/PRS:	\$0	- \$0
SEG/SEG-S:	\$0	- \$0
<b>TOTAL State Revenues:</b>	<b>\$0</b>	<b>- \$0</b>

### Net Annualized Fiscal Impact

	<u>State</u>	<u>Local</u>
Net Change in Costs:	\$0	\$0
Net Change in Revenues:	\$0	\$0

Agency/Prepared by:(Name & Phone No.)  
DWD / Bond, Dan (266-0745)

Authorized Signature/Telephone No.  
*John Harts*

Date  
02/06/97

FISCAL ESTIMATE  
DOA-2048 N

- ORIGINAL       UPDATED  
 CORRECTED       SUPPLEMENTAL

LRB or Bill No./Adm. Rule No.  
AB 11

Amendment No. if Applicable

**Subject**

The bill requires the Office of the Commissioner of Insurance (OCI) to provide information and technical assistance regarding continuation and conversion options to employees losing group health insurance coverage.

**Fiscal Effect**

State:  No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.

Increase Costs - May be possible to Absorb Within Agency's Budget  Yes  No

- Increase Existing Appropriation       Increase Existing Revenues  
 Decrease Existing Appropriation       Decrease Existing Revenues  
 Create New Appropriation

Decrease Costs

Local:  No local government costs

1.  Increase Costs  
     Permissive       Mandatory  
2.  Decrease Costs  
     Permissive       Mandatory

3.  Increase Revenues  
     Permissive       Mandatory  
4.  Decrease Revenues  
     Permissive       Mandatory

5. Types of Local Governmental Units Affected:  
 Towns       Villages       Cities  
 Counties       Others \_\_\_\_\_  
 School Districts       WTCS Districts

**Fund Sources Affected**

- GPR    FED    PRO    PRS    SEG    SEG-S

**Affected Ch. 20 Appropriations**

20.005(3), 20.145(1)(g)

**Assumptions Used in Arriving at Fiscal Estimate**

OCI currently provides general assistance to state residents in explaining their rights relating to health insurance coverage and continuation and conversion rights of individuals leaving group coverage. This information is supplied by OCI in written form and through the office's general complaints hotline.

The bill requires OCI to assemble specific information regarding health insurance available in the area an individual resides. OCI plans to meet this requirement by adding a Program Assistant 3 position who will providing listings of both insurance plans and health maintenance organizations (HMOs) whose service areas cover the individual's location.

**Long-Range Fiscal Implications**

The bill will increase authorized FTE positions in OCI by 1 PR position with an estimated annual cost of \$31,300. Other related costs will be absorbed in current budget.

Agency/Prepared by: (Name & Phone No.)

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*Hardy Blum*

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Date

2/10/97

**FISCAL ESTIMATE WORKSHEET**

1997 Session

Detailed Estimate of Annual Fiscal Effect  
DOA-2047

ORIGINAL     UPDATED  
 CORRECTED     SUPPLEMENTAL

LRB or Bill No./Adm. Rule. No.  
AB11

Amendment No.

Subject  
The bill requires the Office of the Commissioner of Insurance (OCI) to provide information and technical assistance regarding continuation and conversion options to employees losing group health insurance coverage.

**I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):**

II. Annualized Costs	Annualized Fiscal Impact on State funds from:	
	Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>		
State Operations – Salaries and Fringes	\$ 31,300	\$ -
(FTE Position Changes)	( 1 FTE)	(- FTE)
State Operations – Other Costs		-
Local Assistance		-
Aids to Individuals or Organizations		-
<b>TOTAL State Costs by Category</b>	<b>\$ 31,300</b>	<b>\$ -</b>
<b>B. State Costs by Source of Funds</b>	<b>Increased Costs</b>	<b>Decreased Costs</b>
GPR	\$	\$ -
FED		-
PRO/PRS	31,300	-
SEG/SEG-S		-
<b>III. State Revenues—</b> Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)	<b>Increased Rev.</b>	<b>Decreased Rev.</b>
GPR Taxes	\$	\$ -
GPR Earned		-
FED		-
PRO/PRS	31,300	-
SEG/SEG-S		-
<b>TOTAL State Revenues</b>	<b>\$ 31,300</b>	<b>\$ -</b>

**NET ANNUALIZED FISCAL IMPACT**  
**STATE**

**LOCAL**

NET CHANGE IN COSTS                      \$ 31,300                      \$ \_\_\_\_\_  
NET CHANGE IN REVENUE                      \$ 31,300                      \$ \_\_\_\_\_

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2/10/97