



# Employer *Bulletin*

Employer Communication Center (608) 264-7900 Toll free: 1-888-681-3952 <http://etf.wi.gov>

## Dependents Have Rights upon Cancellation \*

~~Previously, a voluntary cancellation of coverage or change from family to single coverage by a subscriber was deemed to be a voluntary cancellation by the covered dependents. The federal government recently provided guidance to the Department of Employee Trust Funds (ETF) on this topic and indicated that when a subscriber voluntarily cancels coverage or changes from family to single coverage, it results in an involuntary loss of eligibility for coverage for the insured dependents. Effective immediately, as explained below, dependents that experience a qualifying event of an involuntary loss of eligibility for coverage have:~~

- ~~• An enrollment opportunity pursuant to the federal Health Insurance Portability and Accountability Act (HIPAA) when they are eligible to enroll but have deferred enrollment because of having other coverage.~~
- ~~• The right to elect continuation coverage pursuant to the federal Consolidated Omnibus Budget Reconciliation Act (COBRA) through the group health plan for which the involuntary loss of eligibility occurred.~~

**\*This information has been revised. Please refer to Employer Bulletin Vol. 28, No.13, November 2, 2011 for the corrected information about the continuation rights for dependents upon voluntary cancellation by subscriber.**

## Enrollment Opportunity under HIPAA

As you are aware, HIPAA provides for a 30-day enrollment opportunity upon the loss of eligibility for other coverage. An employee who defers coverage due to being enrolled as a dependent on other coverage has an enrollment opportunity when the subscriber of the other coverage voluntarily changes from family to single coverage or cancels coverage. The employee can enroll for coverage by submitting an application within 30 days of the loss of eligibility for other coverage along with documentation of the loss. Coverage will be effective on the day after the other coverage ends. If single coverage is elected, the employee may choose any health plan offered in the program. If family coverage is elected, all eligible dependents, including the subscriber of the previous policy who is not involuntarily losing coverage, will be covered except for those for whom coverage must be elected, the adult children and domestic partners. Therefore, if the subscriber of the previous policy is now to be covered because family coverage is elected, coverage is limited to the Standard Plan and the subscriber of the previous policy will have a 180-day waiting period for pre-existing conditions. **This does not create an open enrollment opportunity for the subscriber who cancels coverage.**

**Example 1:** Your employee deferred coverage because he was insured on his spouse's policy. There are no other eligible dependents. The spouse cancels coverage effective January 1, 2011, because the deductible increased. Your employee has a 30-day enrollment opportunity and must

submit an application on or before January 30, 2011, for coverage effective on January 1, 2011. The employee must also provide documentation of the loss of eligibility for other coverage. If your employee elects family coverage, he is limited to the Standard Plan and his spouse will have a 180-day waiting period for any pre-existing conditions.

**Example 2:** Your employee deferred coverage because he was insured on his spouse's policy. There are eligible children who are also insured on that policy. The spouse switches from family to single coverage effective January 1, 2011, because her contribution share for family coverage increased. Your employee has a 30-day enrollment opportunity and must submit an application on or before January 30, 2011, for coverage effective on January 1, 2011. The employee must also provide documentation of the loss of eligibility for other coverage. Your employee elects family coverage so the children are insured. By electing family coverage, his spouse is also insured on the policy. Your employee is therefore limited to the Standard Plan and his spouse will have a 180-day waiting period for any pre-existing conditions.

**Example 3:** Your employee is 25 years old and married. She deferred coverage because she is insured on her parent's policy. To avoid state imputed income, her parent removes her from the policy effective January 1, 2011. Your employee has a 30-day enrollment opportunity and must submit an application on or before January 30, 2011, for coverage effective on January 1, 2011. The employee must also provide documentation of the loss of eligibility for other coverage. Your employee can elect family coverage during her enrollment opportunity if she wishes to insure her spouse and can choose any health plan offered in the program.

## COBRA Continuation Rights

COBRA provides for group health plan coverage to be extended up to 36 months following a qualifying event, such as an involuntary loss of eligibility for coverage. Individuals who are eligible for and elect COBRA coverage are responsible for paying the full premium and will continue receiving benefits identical to those provided to active employees. Within five days of the qualifying event, employers must issue a *Continuation – Conversion Notice* (ET-2311) to the dependents losing coverage when the employee voluntarily changes from family to single coverage or cancels coverage. If elected, COBRA coverage will be effective on the day after the other coverage ends.

**Example 1:** Your employee switches from family to single coverage effective January 1, 2011, because her contribution share for family coverage increased. Within five days of receiving your employee's application to switch to single coverage, you must issue the *Continuation – Conversion Notice* to the dependents that are losing coverage.

**Example 2:** Your employee submits an application to maintain family coverage but terminate coverage for his insured adult child effective January 1, 2011, to avoid imputed income. Within five days of receiving your employee's application to terminate his adult child's coverage, you must issue the *Continuation – Conversion Notice* to that adult child.

## Contact

For questions regarding this *Employer Bulletin*, please contact the Employer Communication Center at (608) 264-7900; toll free at (888) 681-3952.