



**State of New Jersey**  
DEPARTMENT OF BANKING AND INSURANCE  
INDIVIDUAL HEALTH COVERAGE PROGRAM

PO Box 325  
TRENTON, NJ 08625-0325

RICHARD J. CODEY  
*Acting Governor*

TEL (609) 633-1882  
FAX (609) 633-2030

DONALD BRYAN  
*Acting Commissioner*

**ADVISORY BULLETIN**  
**05-SEH-03**

September 23, 2005

To: Carriers that Issue or Renew Coverage in the SEH Market

From: Ellen DeRosa, Deputy Executive Director

**Re: Continuation Rights**

P.L. 2004, c. 162 amended the SEH Act by modifying N.J.S.A. 17B:27A-27, a provision providing for continued health coverage for certain employees and their dependents. The SEH Board proposed amendments to N.J.A.C. 11:21 Appendix Exhibits A, F, G, V, W, Y, HH and II to include the amended continuation rights provision in the standard small employer health benefits plans. During its August 31, 2005 meeting, the SEH Board adopted the proposed amendments. Since P.L. 2004, c. 162 was effective March 7, 2005, the Board adopted the amendments with both an immediate effective and operative date, September 6, 2005.

The SEH Board recognizes that carriers are still in the midst of re-issuing plans as a result of the October 1, 2004 readoption with amendments to the standard plans. The SEH Board believes that the amendments to the continuation rights provision can appropriately be accomplished using the Compliance and Variability Rider set forth at Appendix Exhibit DD. Carriers that wish to amend the standard plans using the Compliance and Variability Rider must use the text attached to this Advisory Bulletin on Appendix Exhibit DD. Carriers that prefer to re-issue the plans should refer to the web site, [www.nj.gov/dobi/sehpage.htm](http://www.nj.gov/dobi/sehpage.htm) for the text of the standard plans which includes the amended Continuation Rights provisions. The amended documents contain the suffix "0805."

Since P.L. 2004, c. 162 was effective March 7, 2005, the Board recognizes that carriers have issued and renewed plans without the amended continuation rights provisions. The Board expects that carriers will promptly amend those plans, using either the Compliance and Variability Rider, or by re-issuing the plans in their entirety. Prospectively, carriers must issue and renew the standard plans using the amended continuation rights provision, and may use the Compliance and Variability Rider or may choose to update their issue systems to incorporate the amended continuation rights text.

[Carrier]

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## **AMENDMENT**

[Policyholder]

Group [Policy] No.

Effective Date:

This Amendment is part of the [Policy].

The **CONTINUATION RIGHTS** provisions entitled **COORDINATION AMONG CONTINUATION RIGHTS SECTIONS, AN IMPORTANT NOTICE ABOUT CONTINUATION RIGHTS, COBRA CONTINUATION RIGHTS (Generally applies to employer groups with 20 or more employees)** and **NEW JERSEY GROUP CONTINUATION RIGHTS (NJGCR)** are deleted and replaced with the following provisions.

### **CONTINUATION RIGHTS**

#### **COORDINATION AMONG CONTINUATION RIGHTS SECTIONS**

As used in this section, COBRA means the Consolidated Omnibus Budget Reconciliation Act of 1985 as enacted, and later amended.

A Covered Person may be eligible to continue his or her group health benefits under this Policy's **COBRA CONTINUATION RIGHTS (CCR)** section and under other continuation sections of this Policy at the same time.

Continuation Under CCR and **NEW JERSEY GROUP CONTINUATION RIGHTS (NJGCR)**: A Covered Person who is eligible to continue his or her group health benefits under CCR is not eligible to continue under NJGCR.

Continuation Under CCR and any other continuation section of this Policy:

If a Covered Person elects to continue his or her group health benefits under this Policy's CCR or NJGCR, as applicable, and any other continuation, the continuations:

- a) start at the same time;
- b) run concurrently; and
- c) end independently on their own terms.

While covered under more than one continuation section, the Covered Person:

- a) will not be entitled to duplicate benefits; and
- b) will not be subject to the premium requirements of more than one section at the same time.

#### **AN IMPORTANT NOTICE ABOUT CONTINUATION RIGHTS**

**The following COBRA CONTINUATION RIGHTS section may not apply to the Employer's Policy. The Employee must contact his or her Employer to find out if:**

- a) the Employer is subject to the COBRA CONTINUATION RIGHTS section in which case;**
- b) the section applies to the Employee.**

**COBRA CONTINUATION RIGHTS (Generally applies to employer groups with 20 or more employees)**

**Important Notice**

Under this section, "Qualified Continuee" means any person who, on the day before any event which would qualify him or her for continuation under this section, is covered for group health benefits under this Policy as:

- a) an active, covered Employee;
- b) the spouse of an active, covered Employee; or
- c) the Dependent child of an active, covered Employee. Except as stated below, any person who becomes covered under this Policy during a continuation provided by this section is not a Qualified Continuee.

**Exception:** A child who is born to the covered Employee, or who is placed for adoption with the covered Employee during the continuation provided by this section is a Qualified Continuee.

**If An Employee's Group Health Benefits Ends**

If an Employee's group health benefits end due to his or her termination of employment or reduction of work hours, he or she may elect to continue such benefits for up to 18 months, unless he or she was terminated due to gross misconduct.

A Qualified Continuee may elect to continue coverage under COBRA even if the Qualified Continuee:

- a) is covered under another group plan on or before the date of the COBRA election; or
- b) is entitled to Medicare on or before the date of the COBRA election.

The continuation:

- a) may cover the Employee and any other Qualified Continuee; and
- b) is subject to the **When Continuation Ends** section.

**Extra Continuation for Disabled Qualified Continuees**

If a Qualified Continuee is determined to be disabled under Title II or Title XVI of the United States Social Security Act on the date his or her group health benefits would otherwise end due to the Employee's termination of employment or reduction of work hours or during the first 60 days of continuation coverage, he or she and any Qualified Continuee who is not disabled may elect to extend his or her 18 month continuation period above for up to an extra 11 months.

To elect the extra 11 months of continuation, the Qualified Continuee must give the Employer written proof of Social Security's determination of his or her disability before the earlier of:

- a) the end of the 18 month continuation period; and
- b) 60 days after the date the Qualified Continuee is determined to be disabled.

If, during this extra 11 month continuation period, the Qualified Continuee is determined to be no longer disabled under the Social Security Act, he or she must notify the Employer within 30 days of such determination, and continuation will end, as explained in the **When Continuation Ends** section.

An additional 50% of the total premium charge also may be required from the Qualified Continuee by the Employer during this extra 11 month continuation period.

**If An Employee Dies While Insured**

If an Employee dies while insured, any Qualified Continuee whose group health benefits would otherwise end may elect to continue such benefits. The continuation can last for up to 36 months, subject to the **When Continuation Ends** section.

**If An Employee's Marriage [or Domestic Partnership] Ends**

If an Employee's marriage ends due to legal divorce or legal separation [or termination of a domestic partnership], any Qualified Continuee whose group health benefits would otherwise end may elect to continue such benefits. The continuation can last for up to 36 months, subject to the **When Continuation Ends** section.

**If A Dependent Loses Eligibility**

If a Dependent child's group health benefits end due to his or her loss of dependent eligibility as defined in this Policy, other than the Employee's coverage ending, he or she may elect to continue such benefits. However, such Dependent child must be a Qualified Continuee. The continuation can last for up to 36 months, subject to **When Continuation Ends**.

**Concurrent Continuations**

If a Dependent elects to continue his or her group health benefits due to the Employee's termination of employment or reduction of work hours, the Dependent may elect to extend his or her 18 month continuation period to up to 36 months, if during the 18 month continuation period, either:

- a) the Dependent becomes eligible for 36 months of group health benefits due to any of the reasons stated above; or
- b) the Employee becomes entitled to Medicare.

The 36 month continuation period starts on the date the 18 month continuation period started, and the two continuation periods will be deemed to have run concurrently.

**Special Medicare Rule**

Except as stated below, the "special rule" applies to Dependents of an Employee when the Employee becomes entitled to Medicare prior to termination of employment or reduction in work hours. The continuation period for a Dependent upon the Employee's subsequent termination of employment or reduction in work hours will be the longer of the following:

- a) 18 months from the date of the Employee's termination of employment or reduction in work hours; or
- b) 36 months from the date of the Employee's earlier entitlement to Medicare.

**Exception:** If the Employee becomes entitled to Medicare more than 18 months prior to termination of employment or reduction in work hours, this “special rule” will not apply.

### **The Qualified Continuee's Responsibilities**

A person eligible for continuation under this section must notify the Employer, in writing, of:

- a) the legal divorce or legal separation [or termination of the domestic partnership] of the Employee from his or her spouse; or
- b) the loss of dependent eligibility, as defined in this Policy, of an insured Dependent child.

Such notice must be given to the Employer within 60 days of either of these events.

### **The Employer's Responsibilities**

The Employer must notify the Qualified Continuee, in writing, of:

- a) his or her right to continue this Policy's group health benefits;
- b) the monthly premium he or she must pay to continue such benefits; and
- c) the times and manner in which such monthly payments must be made.

Such written notice must be given to the Qualified Continuee within 44 days of:

- a) the date a Qualified Continuee's group health benefits would otherwise end due to the Employee's death or the Employee's termination of employment or reduction of work hours; or
- b) the date a Qualified Continuee notifies the Employer, in writing, of the Employee's legal divorce or legal separation [or termination of the domestic partnership] from his or her spouse, or the loss of dependent eligibility of an insured Dependent child.

### **The Employer's Liability**

The Employer will be liable for the Qualified Continuee's continued group health benefits to the same extent as, and in place of, [Carrier], if:

- a) the Employer fails to remit a Qualified Continuee's timely premium payment to [Carrier] on time, thereby causing the Qualified Continuee's continued group health benefits to end; or
- b) the Employer fails to notify the Qualified Continuee of his or her continuation rights, as described above.

### **Election of Continuation**

To continue his or her group health benefits, the Qualified Continuee must give the Employer written notice that he or she elects to continue. An election by a minor Dependent Child can be made by the Dependent Child's parent or legal guardian. This must be done within 60 days of the date a Qualified Continuee receives notice of his or her continuation rights from the Employer as described above. And the Qualified Continuee must pay the first month's premium in a timely manner.

The subsequent premiums must be paid to the Employer, by the Qualified Continuee, in advance, at the times and in the manner specified by the Employer. No further notice of when premiums are due will be given.

The monthly premium will be the total rate which would have been charged for the group health benefits had the Qualified Continuee stayed insured under this Policy on a regular basis. It includes any amount that would have been paid by the Employer. Except as explained in the **Extra Continuation for Disabled Qualified Continuees** section, an additional charge of two percent of the total premium charge may also be required by the Employer.

If the Qualified Continuee fails to give the Employer notice of his or her intent to continue, or fails to pay any required premiums in a timely manner, he or she waives his or her continuation rights.

### **Grace in Payment of Premiums**

A Qualified Continuee's premium payment is timely if, with respect to the first payment after the Qualified Continuee elects to continue, such payment is made no later than 45 days after such election. In all other cases, such premium payment is timely if it is made within 31 days of the specified date.

If timely payment is made to the plan in an amount that is not significantly less than the amount the Employer requires to be paid for the period of coverage, then the amount paid is deemed to satisfy the Employer's requirement for the amount that must be paid, unless the plan notifies the Qualified Continuee of the amount of the deficiency and grants an additional 30 days for payment of the deficiency to be made. An amount is not significantly less than the amount the Employer requires to be paid for a period of coverage if and only if the shortfall is no greater than the lesser of the following two amounts:

- a) Fifty dollars (or such other amount as the Commissioner may provide in a revenue ruling, notice, or other guidance published in the Internal Revenue Code Bulletin); or
- b) Ten percent of the amount the plan requires to be paid.

Payment is considered as made on the date on which it is sent to the Employer.

### **When Continuation Ends**

A Qualified Continuee's continued group health benefits end on the first of the following:

- a) with respect to continuation upon the Employee's termination of employment or reduction of work hours, the end of the 18 month period which starts on the date the group health benefits would otherwise end;
- b) with respect to a Qualified Continuee who has elected an additional 11 months of continuation due to his or her own disability or the disability of a family member, the earlier of:
  - the end of the 29 month period which starts on the date the group health benefits would otherwise end; or
  - the first day of the month which coincides with or next follows the date which is 30 days after the date on which a final determination is made that a disabled Qualified Continuee is no longer disabled under Title II or Title XVI of the United States Social Security Act;
- c) with respect to continuation upon the Employee's death, the Employee's legal divorce or legal separation [or termination of the domestic partnership] or the end of an

- insured Dependent's eligibility, the end of the 36 month period which starts on the date the group health benefits would otherwise end;
- d) with respect to a Dependent whose continuation is extended due to the Employee's entitlement to Medicare, the end of the 36 month period which starts on the date the group health benefits would otherwise end;
  - e) the date this Policy ends;
  - f) the end of the period for which the last premium payment is made;
  - g) the date he or she becomes covered under any other group health plan which contains no limitation or exclusion with respect to any Pre-Existing Condition of the Qualified Continuee or contains a pre-existing conditions limitation or exclusion that is eliminated through the Qualified Continuee's total period of Creditable Coverage.;
  - h) the date he or she becomes entitled to Medicare;
  - i) termination of a Qualified Continuee for cause (e.g. submission of a fraudulent claim) on the same basis that the Employer terminates coverage of an active employee for cause.

## **NEW JERSEY GROUP CONTINUATION RIGHTS (NJGCR)**

### **Important Notice**

Except as stated below, under this section, "Qualified Continuee" means any person who, on the day before any event which would qualify him or her for continuation under this section, is covered for group health benefits under this Policy as:

- a) a full-time covered Employee;
- b) the spouse of a full-time covered Employee; or
- c) the Dependent child of a full-time covered Employee.

Exception: A Newly Acquired Dependent, where birth, adoption, or marriage occurs after the Qualifying Event is also a "Qualified Continuee" for purposes of being included under the Employee's continuation coverage.

### **If An Employee's Group Health Benefits Ends**

If an Employee's group health benefits end due to his or her termination of employment or reduction of work hours to fewer than 25 hours per week, he or she may elect to continue such benefits for up to 18 months, unless he or she was terminated for cause. The Employee's spouse and Dependent children may elect to continue benefits even if the Employee does not elect continuation for himself or herself.

A Qualified Continuee may elect to continue coverage under NJGCR even if the Qualified Continuee:

- a) is covered under another group plan on or before the date of the NJGCR election; or
- b) is entitled to Medicare on or before the date of the NJGCR election.

The continuation:

- a) may cover the Employee and/or any other Qualified Continuee; and
- b) is subject to the When Continuation Ends section.

### **Extra Continuation for Disabled Qualified Continuees**

If a former Employee who is a Qualified Continuee is determined to be disabled under Title II or Title XVI of the United States Social Security Act on the date his or her group

health benefits would otherwise end due to the termination of employment or reduction of work hours to fewer than 25 hours per week or during the first 60 days of continuation coverage, he or she may elect to extend his or her 18-month continuation period for himself or herself and any Dependents who are Qualified Continuees for up to an extra 11 months.

To elect the extra 11 months of continuation, the Qualified Continuee must give the [Carrier] written proof of Social Security's determination of his or her disability before the earlier of:

- a) the end of the 18 month continuation period; and
- b) 60 days after the date the Qualified Continuee is determined to be disabled.

If, during this extra 11 month continuation period, the Qualified Continuee is determined to be no longer disabled under the Social Security Act, he or she must notify the [Carrier] within 31 days of such determination, and continuation will end, as explained in the When Continuation Ends section.

An additional 50% of the total premium charge also may be required from the Qualified Continuee by the Employer during this extra 11 month continuation period.

#### **If An Employee Dies While Insured**

If an Employee dies while insured, any Qualified Continuee whose group health benefits would otherwise end may elect to continue such benefits. The continuation can last for up to 36 months, subject to the When Continuation Ends section.

#### **If An Employee's Marriage [or Domestic Partnership] Ends**

If an Employee's marriage ends due to legal divorce or legal separation [or termination of a domestic partnership], any Qualified Continuee whose group health benefits would otherwise end may elect to continue such benefits. The continuation can last for up to 36 months, subject to the When Continuation Ends section.

#### **If A Dependent Loses Eligibility**

If a Dependent child's group health benefits end due to his or her loss of dependent eligibility as defined in this Policy, other than the Employee's coverage ending, he or she may elect to continue such benefits for up to 36 months, subject to When Continuation Ends.

#### **The Employer's Responsibilities**

Upon loss of coverage due to termination of employment or reduction in work hours, the Employer must notify the former employee in writing, of:

- a) his or her right to continue this Policy's group health benefits;
- b) the monthly premium he or she must pay to continue such benefits; and
- c) the times and manner in which such monthly payments must be made.

Upon being advised of the death of the Employee, divorce, [termination of domestic partnership] or Dependent child's loss of eligibility, the Employer should notify the Qualified Continuee in writing, of:

- a) his or her right to continue this Policy's group health benefits;

- b) the monthly premium he or she must pay to continue such benefits; and
- c) the times and manner in which such monthly payments must be made.

### **Election of Continuation**

To continue his or her group health benefits, the Qualified Continuee must give the Employer written notice that he or she elects to continue. An election by a minor Dependent Child can be made by the Dependent Child's parent or legal guardian. This must be done within 30 days of the date coverage ends. The first month's premium must be paid within 30 days of the date the Qualified Continuee elects continued coverage.

The subsequent premiums must be paid to the Employer, by the Qualified Continuee, in advance, at the times and in the manner specified by the Employer.

The monthly premium will be the total rate which would have been charged for the group health benefits had the Qualified Continuee stayed insured under this Policy on a regular basis. It includes any amount that would have been paid by the Employer. Except as explained in the Extra Continuation for Disabled Qualified Continuees section, an additional charge of two percent of the total premium charge may also be required by the Employer.

If the Qualified Continuee does not give the Employer notice of his or her intent to continue coverage, or fails to pay any required premiums in a timely manner, he or she waives his or her continuation rights.

### **Grace in Payment of Premiums**

A Qualified Continuee's premium payment is timely if, with respect to the first payment after the Qualified Continuee elects to continue, such payment is made no later than 30 days after such election. In all other cases, such premium payment is timely if it is made within 31 days of the date it is due.

### **The Continued Coverage**

The continued coverage shall be identical to the coverage provided to similarly situated active Employees and their Dependents under the Employer's plan. If coverage is modified for any group of similarly situated active Employees and their Dependents, the coverage for Qualified Continuees shall also be modified in the same manner. Evidence of insurability is not required for the continued coverage.

### **When Continuation Ends**

A Qualified Continuee's continued group health benefits end on the first of the following:

- a) with respect to continuation upon the Employee's termination of employment or reduction of work hours, the end of the 18 month period which starts on the date the group health benefits would otherwise end;
- b) with respect to a Qualified Continuee who has elected an additional 11 months of continuation due to his or her own disability, the end of the 29 month period which starts on the date the group health benefits would otherwise end. However, if the Qualified Continuee is no longer disabled, coverage ends on the later of:
  - the end of the 18-month period; or

- the first day of the month that begins more than 31 days after the date on which a final determination is made that a disabled Qualified Continuee is no longer disabled under Title II or Title XVI of the United States Social Security Act;
- c) with respect to continuation upon the Employee's death, the Employee's legal divorce or legal separation [or termination of the domestic partnership] or the end of an insured Dependent's eligibility, the end of the 36 month period which starts on the date the group health benefits would otherwise end;
- d) the date the Employer ceases to provide any health benefits plan to any active Employee or Qualified Continuee;
- e) the end of the period for which the last premium payment is made;
- f) the date he or she first becomes covered under any other group health benefits plan, as an employee or otherwise, which contains no limitation or exclusion with respect to any Pre-Existing Condition of the Qualified Continuee ; or
- g) the date he or she first becomes entitled to Medicare.

Except as stated above, nothing in this Amendment changes or affects any other terms of the [Policy].

[Carrier shall insert its standard amendment closure and signature blocks.]