

Health Coverage Rights You Should Know

As Americans struggle through the current economic conditions, it is important that you know your rights for health coverage.

Individual Conversion Rights:

Individual Conversion may be available to the member when group medical expense coverage terminates. The member's completed application and the first premium must be received in the home office of Principal Life Insurance Company within 31 days after the date group medical expense coverage ends. Please call 515-247-6388 or 515-248-3195 for verification of eligibility and forms.

For detailed information about Individual Conversion Rights refer to your booklet-certificate.

Consolidated Omnibus Budget Reconciliation Act (COBRA) Rights:

A federal law known as the Consolidated Omnibus Budget Reconciliation Act (COBRA) gives a person enrolled in a group policy the right to continue in the group coverage on a temporary basis after the departure from an employer with 20 or more employees. The participant must pay the full group premium, including any part the employer had been paying, plus 2% for administrative expenses. Coverage can be continued for 18 months; 29 months if you become eligible for social security disability during the first 60 days of COBRA continuation; 36 months if you were insured through your spouse's or parent's group coverage and the spouse or parent has died, divorced, or separated. COBRA also applies to dependent children who lose coverage because they reach maximum age limits.

COBRA does not apply if the employer terminates the plan. Also, if the employer goes out of business and cancels the plan or fails to pay the premium, the coverage stops and COBRA does not apply. COBRA only applies when the group policy remains in force.

COBRA applies to all employers of 20 or more workers. This includes self-insured employers, but does not apply to plans sponsored by the federal government or certain church related organizations as defined by federal law.

State Continuation Rights:

Some states offer persons enrolled in a group policy the right to continue group coverage on a temporary basis. Each state continuation provision is unique. State continuation rights are outlined in your booklet/certificate.

COBRA Premium Subsidy and the America Recovery and Reinvestment Act (ARRA)

The American Recovery and Reinvestment Act (H.R. 1) known as the economic

stimulus package was signed by President Obama on February 17, 2009. Included in the law are provisions that provide a COBRA premium subsidy to certain qualified beneficiaries who are Assistance Eligible Individuals (AEIs) as defined within the law. The subsidy also applies to certain health care continuation as required by state law if it is comparable to COBRA.

The subsidy is effective for “any premium for a period of coverage beginning on or after the date of enactment (February 17, 2009).”

To be considered “assistance-eligible individuals” an individual must be a qualified beneficiary as a result of a worker’s involuntary termination of employment occurring between September 1, 2008, and December 31, 2009.

The term “assistance eligible individual” includes the terminated employee and the employee’s spouse or dependents who are qualified beneficiaries as a result of the employee’s termination.

Qualified beneficiaries are responsible for 35 percent of the premium that they are charged for continuation coverage. Medical, dental and vision are considered eligible coverage. In general, the remaining 65 percent is subsidized by the federal government.

The subsidy applies to nine months of continuation coverage. The provisions do not alter the duration of COBRA under existing COBRA law. The subsidy will terminate if the individual becomes eligible for other group health plan coverage or Medicare. Individuals must notify the plan if their eligibility ceases or they will face a tax penalty.

Employees who were involuntarily terminated between September 1, 2008 and February 17, 2009 and do not have a COBRA election in effect on February 17, 2009 will have a second chance to make a COBRA election. Assistance-eligible individuals who failed to initially elect COBRA or elected COBRA and later terminated it must be given an additional 60 days after receipt of notice to elect COBRA and receive the subsidy. If an eligible person elects COBRA, his/her coverage would be effective at the start of the first coverage period beginning on or after February 17, 2009 (typically, this will be March 1, 2009). However, once elected, the gap in coverage between the date of the original qualifying event and March 1, 2009, is not considered a gap in coverage for purposes of applying a plan’s pre-existing condition limitation.

For more information about COBRA and the premium subsidy, please contact your former employer or the Department of Labor’s website:

<http://www.dol.gov/ebsa/cobra.html>

Guaranteed Issue of Health Insurance to Eligible Individuals

Federal law (and the law in most states) makes it easier for you to get individual insurance under certain situations, including if you left a job where you had group health insurance, or had another plan for more than 18 months without a break of more than 63 days. Specifically, if you meet certain criteria, you are considered an eligible individual and guaranteed the right to buy individual health coverage without a pre-existing condition exclusion period.

To be an eligible individual, you must:

- 1) Have had 18 months of continuous creditable coverage, at least the last day of which was under a group health plan;
- 2) Have used up any COBRA continuation coverage for which you were eligible;
- 3) Not be eligible for Medicare, Medicaid or a group health plan;
- 4) Not have other health insurance.

You must apply for health insurance for which you are an eligible individual within 63 days of losing your prior coverage.

For more information about the alternative coverage, please contact your state's Department of Insurance.

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