



New California COBRA Law Requires Employers to Amend COBRA Notices

Insights

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In late 2002, California Assembly Bill 1401 was signed into law. The new law allows California employees and their dependents to extend their group health plan continuation coverage to up to 36 months from the start of their COBRA coverage period. In addition, employers must ensure that eligible employees receive notice of their extended continuation rights.

Employers with 20 or more employees subject to the federal COBRA requirements: Prior to the passage of AB 1401, employees who lost their health benefits due to a qualifying event (such as to reduction in hours or termination of employment) had the right to continue their group health benefits for periods of 18, 29, or 36 months, depending on the nature of the qualifying event. Among other things, the new law supplements the federal COBRA provisions allowing individuals entitled to less than 36 months of continuation coverage to extend that coverage to a full 36 months. The new law only applies to group health plans where benefits are provided by health maintenance organizations and insurance carriers -- it does not apply to self-insured plans, small employer plans (discussed below), Medicare supplement only plans, dental care only plans, or vision only plans.

Employers with 2 to 19 employees subject to Cal-COBRA: Prior to the passage of California's new law, employees of California employers not subject to federal COBRA requirements who lost their health insurance due to a qualifying event were entitled to up to 18 months of health insurance continuation coverage. The new law provides eligible employees the opportunity to elect up to 36 months of continued coverage. Contrary to the provisions for larger employers, the coverage extension also applies to vision and dental care plans, however, it still does not apply to self-insured plans.

Effective Date: The new law applies to eligible employees who begin receiving either California or federal COBRA benefits on or after January 1, 2003.

What Are Employers Required To Do?

For the most part, the new law requires actions by a company's health care service plans and health insurers, such as amending plan documents and insurance contracts. However, covered employers should revise their notice procedures for individuals who begin receiving either Cal-COBRA or federal COBRA continuation coverage on or after January 1, 2003. Employers should also verify that

their insurers have amended all relevant notices and documentation that they directly distribute to the company's eligible employees and dependants.

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