

New Jersey Group Health Insurance Laws

Some states have state specific laws that affect employers and the group health plans they offer. The state of New Jersey has two laws that affect New Jersey employers. This legislative update will outline a new law recently enacted regarding Over Age Dependent Coverage to Age 30 and update you on changes made to the State Continuation of Coverage law.

Dependent Coverage Until Age 30 - Beginning May 12, 2006 a new law (P.L. 2005, c.375-Chapter 375) gives certain adults under the age of 30 the chance to continue coverage as a dependent on their parent's group health coverage. These individuals are referred to as "over-aged" dependents. Plan sponsor responsibilities require you to notify eligible dependents who became ineligible for coverage ("aged out") before 5/12/06 that they are now eligible for coverage under this new provision. You must also notify all enrollees of the dependent coverage criteria upon open enrollment. Your insurance carrier should have sent you enrollment information and specific enrollment forms you may use to notify dependents. If you need a copy of this information please contact your carrier directly or Fredonna Smith of The Conestoga Group at fredonna.smith@conestoga.biz.

- **Eligibility Requirements** - To be eligible for coverage these dependents must be less than 30 years of age, unmarried, a resident of New Jersey or enrolled as a full-time student at an accredited public or private institution of higher education and have no other group or individual health benefits or be entitled to benefits under the Social Security Act.
- **Election of Coverage** – A dependent that "aged out" of a group policy before 5/12/06 has until 5/11/07 to enroll. A dependent who aged out of the policy on or after 5/12/06 must wait until the anniversary date of the plan to enroll. For example if a dependent ages out of the group plan on 7/1/06 but the group plan renews on 1/1/07 they will not be able to make the Chapter 375 election to continue coverage until 1/1/07 which does result in a loss of coverage for several months and then may enroll as follows:
 - Within 30 days prior to the termination of coverage at the specific age in the policy
 - Within 30 days after meeting the requirements for dependent status when coverage for the dependent under the policy previously terminated or
 - During open enrollment, as provided under the policy
- **Other Requirements**- An over aged dependent who requests continued coverage under the plan will need to complete the insurer's enrollment/verification form that confirms they meet the eligibility requirements. **The carrier will bill these dependents directly at home for the coverage.**

For additional information regarding the new law please visit the New Jersey Department of Banking and Insurance website at <http://www.state.nj.us/dobi/DependentsUnder30.htm>.

State Continuation Coverage –The second state specific law New Jersey has is "State Continuation of Coverage" (N.J.S.A. 17B:27A-27) This law affects small employers not subject to Federal COBRA and has been amended that it now practically mirrors Federal COBRA. In the past

you only needed to offer State Continuation coverage when an employee terminated employment or changed to part-time status. The State Continuation coverage was offered for up to 12 months. The amendments to the law now require that you offer terminated employees or employees going to part-time status and their covered dependents 18 months of coverage. In addition dependents who lose coverage due to divorce, death of employee or loss of dependent status now have the option to continue coverage for 36 months. Also individuals continuing on 18 months of coverage also may extend to 29 months if they have been determined disabled by the Social Security Act.

You are currently required to notify an employee in writing of their options to continue at the time of their termination of employment or reduction in hours and they have 30 days to elect State Continuation coverage. There is no requirement to notify a spouse or dependent of their continuation rights at the time of their divorce, death of employee or loss of dependent status but if you are aware of the event it would be advisable to do so. The cost that may be charged is 102% of the premium or 150% for individuals on the 11- month disability extension. Individuals on State Continuation will be responsible to pay the employer who then submits payment to the insurance carrier. Although the State of New Jersey does not have a sample notice for you to use to notify employees and covered dependents, The Conestoga Group has prepared one for you using the General COBRA Notice as a template with modifications based on the State Continuation rules. You may request an electronic copy of this document from Fredonna Smith at fredonna.smith@conestoga.biz.

To review the Advisory Bulletin from the State of New Jersey on the changes to the State Continuation law you may go to http://www.state.nj.us/dobi/bulletins/sehblt05_01.pdf.

IMPORTANT - Keep in mind these laws are for employers that are "situs" in New Jersey and have a group medical insurance contract in the state of New Jersey. If you have employees that reside or work outside the state of New Jersey, you should confirm these individuals are covered under the New Jersey contract. If you are unsure it is important to check with your carrier to confirm applicability before offering any New Jersey Dependent or State Continuation coverage to an employee who resides or works outside the state of New Jersey.

The Conestoga Group is an insurance, investment and employee benefits broker and consulting firm based in Frazer, PA. Conestoga specializes in providing financial products and services to small businesses and their owner/executives and other employees. Founder and President Brad Palmer is an Investment Advisory Representative of Commonwealth Financial Network-a registered investment advisor and member firm of the NASD/SIPC. Brad can be reached at 610-889-9500 extension 101 or at brad.palmer@conestoga.biz.

NOTICE

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