

HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT OF 1996 ("HIPAA")

On August 21, 1996, a new federal law, the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") [Public Act 104-191], was enacted. The HIPAA changed the continuation coverage requirements under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA") that apply to the District-sponsored health care plan. HIPAA also requires that qualified beneficiaries be notified of certain changes to COBRA that may affect their COBRA rights. The new requirements are summarized below. They were generally effective January 1, 1996, regardless of whether or not the COBRA qualifying event occurred before, on, or after that date.

- (1) Under COBRA, if the qualifying event is a termination or involuntary reduction of hours of employment, affected qualified beneficiaries are entitled to continue coverage for up to 18 months after the qualifying event, provided that they make their premium payments on a timely basis. Before HIPAA, this 18-month period could be extended for up to 11 months (for a total COBRA coverage period of up to 29 months from the initial qualifying event) if an individual was determined under the Social Security Act to have been disabled *at the time of the qualifying event* and if the plan administrator was notified of that disability determination within 60 days of the determination and before the end of the original 18-month period.

Under the new law, if a qualified beneficiary is determined to be disabled under the Social Security Act at any time during the first 60 days of COBRA coverage, the 11-month extension is available to all individuals who are qualified beneficiaries due to the termination or involuntary reduction of hours of employment. The disabled individual can be a covered employee or any other qualified beneficiary. However, to be eligible for the 11-month extension, affected individuals must still comply with the notice requirements in a timely fashion.

- (2) A child that is born to, or placed for adoption with, the *covered employee* during a period of COBRA coverage will be eligible to become a qualified beneficiary. In accordance with the requirements of federal law, these qualified beneficiaries can be added to COBRA coverage upon proper notification to the Benefits Specialist of the birth or adoption.
- (3) In addition to changing some of the COBRA requirements, HIPAA restricts the extent to which group health plans may impose pre-existing condition limitations. These rules were generally not effective until plan years beginning after June 30, 1997. HIPAA coordinates COBRA coverage with these new limits as follows:

Under COBRA, your right to continuation coverage terminates if you become covered by another employer's group health plan that does not limit or exclude coverage for your pre-existing conditions. If you become covered by another group health plan and that plan contains a pre-existing condition limitation that affects you, your COBRA continuation coverage cannot be terminated. However, if the other plan's pre-existing condition rule does not apply to you by reason of HIPAA's restrictions on pre-existing condition clauses, your COBRA coverage will be terminated.