

Frequently Asked Questions About AB 254

What is AB 254 and how does it affect my clients' employees' coverage?

AB 254 is a bill that repeals the California Continuation Coverage (Senior COBRA) requirement for anyone who becomes eligible for coverage January 1, 2005, and after.

How does this impact existing employees who currently have AB 112 (Senior COBRA) coverage currently?

Anyone who is currently on a Senior COBRA plan, and those who become eligible prior to January 1, 2005, will be able to continue their coverage and will end automatically on the earlier of the following:

- The date the individual reaches age 65;
- The date the individual is covered under any group health plan not maintained by the employer or any other insurer or health care service plan, regardless of whether that coverage is less valuable;
- The date the individual becomes entitled to Medicare under Title XVIII of the Social Security Act;
- For a spouse, five years from the date on which continuation coverage under COBRA or Cal-COBRA was scheduled to end for the spouse; or
- The date on which the employer terminates its group contract with the insurer and ceases to provide coverage for any active employees through that insurer, in which case, the insurer shall notify the former employee and/or spouse of the right to a conversion policy.

They will remain on the plan until one of the above occurs and as long as health plan premiums are received.

If the employer changes health plans, will the existing Senior COBRA members lose coverage?

No, their coverage will be transferred over to the new carrier and remain intact until one of the above events occurs.

Will the Senior COBRA members premium remain the same?

The premium for Senior COBRA will remain at the 213 percent of the active premium and will vary by plan type selected by the employer.

What continuation options are available for employees who previously would have been covered under the California Continuation plan?

For former employees and their spouses who reside in California, the following would occur:

- COBRA or Cal-COBRA for the first 18 months;
- An additional 18 months on AB 1401 COBRA coverage (up to a maximum of 36 months from the original start date);
- HIPAA Plan.

*If a behavioral health product is tied to a medical plan, this bill will apply.

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Dear Valued Brokers,

The California Legislation recently passed AB 254, an assembly bill that repealed the requirement that health plans offer continuation coverage to former employees and their spouses who met certain criteria. Therefore, this letter serves as notice to inform you of upcoming benefit plan changes for your PacifiCare clients.

Plan Changes to Extended COBRA Language will become effective January 1, 2005, and will be updated in the Administration Manuals. The following Extended COBRA language, **in bold**, will be updated for 2005:

Extended COBRA

California Continuation Coverage (Senior COBRA) will no longer be an option available to former employees and their spouses who would have never been eligible beginning on or after January 1, 2005. Only those employees who become effective on this plan prior to January 1, 2005, will be able to continue their current coverage.

Your former employees and their spouses who are already Californian participants will remain in place until they are automatically terminated per the conditions listed in the *Combined Evidence of Coverage and Disclosure* forms.

On the reverse side of this letter you will find frequently asked questions that may be of in further understanding the changes to your client's benefit plan.

Please contact your PacifiCare Account Representative if you have any questions.