

New State Law Poses Big Financial Risk For Texas Employers

Have you had an employee quit lately? You could be on the hook for that person's health insurance premium if you don't remove them from the plan NOW.



How Employers Ended Up in Jeopardy

In 2005 the Texas Legislature passed Senate Bill 51 to clear up confusion about whether an employee was actually eligible for health insurance benefits when they went to their doctor and the doctor called the insurance company to verify coverage. This was especially confusing when an employee had been terminated or had been fired.

While the objective of this new law was a worthwhile one, it is a great example of the old legislative maxim called, the "Law of Unintended Consequences." In other words, it's created new concerns for an employer when he terminates a worker.

In short, SB 51 **requires** the health insurance plan to keep a terminated person on the health plan and **the employer is obligated to continue paying the premiums through the end of the month** that the employer notifies the insurance carrier of the termination. The key is WHEN the employer notifies the insurance company or health plan.

This means an employer needs to contact the insurance company as soon as possible after someone leaves his workforce. If an employer waits too long, he may be held liable for another month (or two or three, or more) of premium. Furthermore, the employer is responsible for paying ALL the premium for the terminated employee and any dependents that were on his plan, even if the employee had been paying a share of his own premium or all of his dependents' premium.

What the Texas Insurance Rules Say --

The Texas Department of Insurance has adopted rules telling insurance companies and health plans exactly how to administer Senate Bill 51. These rules specify how an employer is to be treated.

- If the termination occurs in the last seven (7) days of the month, the employer has THREE (3) BUSINESS DAYS into the next month to notify the carrier and if this is done, the coverage and premium will stop at the end of the previous month -- in other words, no "new" or additional premium due.
- If a plan is not on a calendar month, employers should consult with their TAHU broker to make sure they understand and honor the correct deadline.
- Notice of a termination must be RECEIVED by the deadline, not merely dropped into the mailbox and postmarked.

The Texas Association of Health Underwriters

The mission of the Texas Association of Health Underwriters is to inform and protect the consumer by enhancing the professional growth of its members.

TAHU is a state affiliate of the National Association of Health Underwriters (NAHU). We are a professional organization of agents and insurance company representatives who care enough about their clients to join together with the Mission Statement above. NAHU represents more than 20,000 professional health insurance agents and brokers nationally who service the insurance needs of millions of Americans. Founded in 1930, there are now 200 state and local chapters in the United States.



- 2 page high risk monthly newsletter
- Employers will be responsible for ALL the premium on the terminated employee AND ALL DEPENDENTS who were insured on that employee's plan, even if the employee had been paying the premium for dependents and / or a portion of his own premium.

What Employers Can Do to Avoid Getting Burned --

- Document, document, document -- if you fax in a termination, keep the fax cover sheet, if you call it in, document who you talked to, the time of the call and the number you called.
- Call your TAHU agent or broker. Ask exactly how your carrier wants to be notified. Take names and numbers. Know WHO and HOW.
- Don't delay -- or it could cost you big bucks. The DAY someone quits, notify the insurance company.
- Not ALL employers are subject to this new law immediately. Talk to your TAHU broker to learn if or when these new requirements will apply to you.

For More Information on the new Rule

- To read the new Rule, including questions raised, comments, and initial interpretations by TDI, go to <http://www.tdi.state.tx.us/rules/2006/0626-059.html>

For More Information Contact:

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Nothing in this Advisory should be considered as legal advice or a legal opinion. Remember, we're Insurance and employee benefits people -- not lawyers. Employers or employees who have questions regarding compliance or enforcement of Senate Bill 51 and /or rules adopted by the Texas Department of Insurance on Senate Bill 51 should seek legal advice and counsel.