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Bulletin 06-05

TO: Small Group Health Carriers

FROM: Merle Scheiber, Director

RE: Continuation Requirements

DATE: May 17, 2006

It has come to the Division's attention that some carriers may not be aware of the continuation requirements in SDCL 58-18-7.5. This statute requires that continuation be offered not only when an employee terminates employment but also requires the continuation as follows:

"... the termination of the coverage by the insurer, other than the termination of the policy or contract itself and the replacement thereof by similar coverage, to have the coverage continue for themselves and their eligible dependents for a period of eighteen months..."

There are only certain circumstances under which termination by the carrier is permitted. One of those involves the employer no longer meeting minimum participation requirements. In such a situation, unless that coverage is replaced by the employer, the employees and dependents are entitled to eighteen months of continuation notwithstanding whether the employer group no longer exists. Administratively, employees and dependents will need to be billed directly.

The requirements of SDCL 58-18-7.5 only apply to employer plans with fewer than twenty employees.