



445 East Capitol Avenue
Pierre, South Dakota 57501-3185
Phone: 605-773-3563
Fax: 605-773-5369

Bulletin 08-08

DATE: August 12, 2008
TO: All Health Insurers
FROM: Merle Scheiber, Director
RE: House Bill 1318 - An act to provide options for those who elect continuation of health insurance

HB1318 was passed by the legislature during the 2008 legislative session and became effective on July 1, 2008. See SDCL 58-18-7.18 and SDCL 58-18C-5. This law was enacted to provide those eligible for continuation the option of choosing a reduced coverage option so as to make the continuation coverage more affordable. This bulletin is being issued to address the implementation questions that have arisen since its passage.

1. If an employer's plan does not provide any options to reduce coverage, is the insurer required to offer a reduced benefit option to the person eligible for continuation?

Yes, an insurer will still be required to make an offer of reduced coverage. The insurer may do so by providing an option already available to the employer or by providing a standardized option for all persons who are eligible for continuation.

2. May an insurer apply applicable rating factors used for the group plan to the person applying for a reduced coverage continuation option?

Yes, the insurer may use the rating factor associated with that particular employer in determining the premium for the person continuing coverage and may also use the allowable case characteristics such as age and gender. This would apply both to those continuing coverage under an option currently available in the market or if the insurer is using a standardized plan to provide the reduced benefit option.

3. Does the 2% surcharge for continuation coverage apply to those persons electing a reduced coverage continuation option?

Yes, an insurer may, after determining the applicable premium, add the 2% continuation surcharge for those persons electing a reduced coverage continuation option. For those continuing coverage pursuant to Chapter 58-18C, the surcharge may be 25%.



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4. Are there any special notice requirements associated with the reduced coverage continuation option?

No, there is no requirement that this option be communicated through any additional notices being issued. Notice of this option does need to be provided but it is the insurer's option how that is communicated. Existing continuation notice procedures may be utilized in providing notice of this coverage option.

5. Are those that were on continuation prior to July 1, 2008 required to be offered the reduced coverage continuation option?

No, the law only applies to those who are eligible to opt for continuation on or after July 1, 2008.

Anyone with questions is encouraged to contact the Division of Insurance at (605)773-3563 or use our website at <http://www.state.sd.us/insurance>