

Practical Implications of Texas Senate Bill 51 for Employers

Businesses in Texas need to be aware of Texas Senate Bill 51, which establishes rules for how companies handle insurance premiums when a worker leaves their employment. The 2005 bill, referred to as "Group Premium Payment After Termination," amended the Texas Insurance Code effective as of Jan. 1, 2006, and **applies to all fully-insured** managed health care benefit plans provided by Texas employers.

The fundamental provisions of Senate Bill 51 are relatively simple. Employers are responsible for paying an insured employee's premium payments from the time the employee becomes ineligible for coverage until the end of the month in which the employer notifies the insurer that the employee is no longer part of the group and eligible for coverage. In other words, the employer is required to provide coverage under the policy until the end of the month in which a representative of the employer notifies the insurer of termination of the employee's benefits. The legislation effectively prevents employers from asking insurance companies for retroactive cancellation of a terminated employee. The employer is responsible for the premiums for the employee and any insured dependents.

Premium payment and coverage after enrollee's/insured's termination

- Group policyholders are liable for a terminated employee's individual and insured dependent's premium payments from the time the person ceases to be eligible for coverage until the end of the month, in which the group policyholder notifies the Health Maintenance Organization (HMO) or insurer, that the person is no longer part of the group and eligible for coverage; and
- Group policyholders are required to provide coverage for the enrollee or individual insured, under the policy, until the end of the notification month.
- For example, when an employee terms on 08/20/05 and the employer notifies the carrier on 09/06/05, the employer is responsible for paying premium for the entire month of September.

Please make sure terms are received timely, most insurance companies allow terms no later than the 3rd day of the month following the date of employee termination, or the company could be held liable for any outstanding medical benefit premiums.

Senate Bill 51 has many practical implications for employers throughout Texas. Each time an employee is terminated, either willfully or otherwise, employers have a long list of exit items to complete. Employers should take note of the following items in order to avoid any further unnecessary liability under Senate Bill 51:

- The statute has a very specific definition of "month," which does not necessarily match the calendar month. The Final Rules from the Texas Department of Insurance on this point have adopted the definition of a month as "*the period from a date in a calendar month to the corresponding date in the succeeding calendar month, as provided in the group policy or contract. If the succeeding calendar month does not have a corresponding date, the period ends on the last day of the succeeding calendar month.*"
- As a result of this definition, employees should be terminated well before the last day of the month whenever possible. For example, if an employer terminates an employee on Aug. 10, the employer would have ample time to notify the insurance provider and would only be responsible for premium payments for the remainder of August. However, if the employee is terminated on Aug. 29, there is very little time for the employer to notify the insurer before the end of the month. If the notification is not received by the insurer until Sept. 1 or later, the employer would also be responsible for the September premium. Terminating employees earlier in the month whenever possible can have a significant cost savings for the employer, particularly if the company employs a large number of people and has a high rate of employee turnover.
- These requirements have no effect on the administration of COBRA benefits, nor do they affect any COBRA continuation periods.

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