



3

GBAC NEWSLETTER

Group Benefit Administrators of Connecticut is proud to present issue three of our quarterly newsletter. Our newsletters address issues pertaining to group health insurance and many other subjects pertinent to our clients making the best choice for their group health coverage. GBAC hopes that you enjoy, and derive valuable information from these newsletters. We welcome any comments or suggestions as to what you, our client would like to see in the newsletter and you can contact us via phone call, fax or E-mail: joannem@gbac.com.

CAFETERIA PLANS AND COBRA: DON'T CONFUSE "STATUS CHANGE" AND "QUALIFYING EVENT"

Want to get rich quick? Just get a buck for every time you hear someone confuse the terms "status change" in a cafeteria plan for "qualifying event" under COBRA. Keep this in mind: "status change" is the term which relates to enrollment rights; "qualifying event" is a term that pertains to continuation rights.


Status changes for special enrollment rights are a defined set of circumstances in which a covered employee in a Section 125 Plan can make election changes to their current benefits plan. Special enrollment rights for status changes are sometimes called "mid-year elections" although the changes can be made at any time during the plan year.

Qualifying events are circumstances that cause covered employees and their families to lose coverage under the employer's group health plan. As a result, COBRA entitles the employee and the family to elect continuation of health care coverage for a specified period of time under the COBRA regulations.

An employee's benefits elections are made at the beginning of the plan year and generally cannot be changed unless a status change occurs. Changes in status rules are applicable to accident or health coverage, group-term life insurance, disability plan coverage, and dependent care

and adoption assistance. There are three categories of recognized status change events:

- A change in family or employment status such as marriage, divorce, birth of a dependent or a change in employment such as termination or change in worksite.
- A change in cost or coverage for certain benefits, which includes a significant increase or decrease in cost such as an increase in premium deductions. A coverage change could be due to the employer's addition of another plan option that allows the employee to make a choice between multiple plans.
- A change that qualifies under the special enrollment rights under the Health Insurance Portability and Accountability Act (HIPAA), which is required of all health plans, not just Section 125 Plans.

Qualifying events are certain types of events that would cause the covered employee and the family to lose health coverage under the normal terms of the plan. Should coverage be lost due to a qualifying event, COBRA provides the employee and the family the opportunity to elect continuation of coverage. Types of qualifying events are voluntary or involuntary termination (other than for gross misconduct); reduction in hours; death; divorce or legal separation; change in the status of a dependent child; Medicare entitlement of the employee; or bankruptcy (Chapter 11) of the employer from whom retired covered employees or their beneficiaries are receiving benefits. 

Q & A from the Consulting Desk

Each month the HR Hotline receives calls from employers on a wide variety of work place issues. Here are just a few of the questions we received:

Q: We just received a notice from unemployment compensation stating that an employee of ours, who quit, was eligible to collect. She said that we changed her hours, which we didn't, and she walked out without talking to anyone and now will collect. We don't think it's worth it to appeal; she'll probably collect. What do you think?

A: *Appeal it. An employee who quits because of changes in the conditions of employment must seek reasonable alternatives to termination before quitting. What many employers fail to appreciate is that an unemployment compensation appeal is de novo, meaning it is a review of the entire case from the beginning. File the appeal; prepare your case.*

Q: We have a question concerning the first COBRA payment. The payment is due within 45 days after election, but COBRA provides for a 30 day grace period. Does the grace period apply to that first payment-giving the employee 75 days to make the payment?

A: *It did before the a series of COBRA reform laws, one of which makes it clear that the grace period does not apply to the initial payment.*

Q: If an employee goes out on a worker's compensation claim which is subsequently denied, can our group health plan then refuse coverage because the claim is work related?

A: *No, but be careful here. Connecticut has a statute that provides that the employer's group health plan must cover the claim and has a right of recov-*

ery if the claim is later accepted as workers' compensation, but your plan has to meet the notice requirements under the act. See the Connecticut General Statutes at 31-299a (b).

Q: We're coming up on increases again in June. Where can we find out what the inflation rate is?

A: *Just go to the United States Department of Labor's Bureau of Labor Statistics website. You'll find the CPI there.*

Q: What is the difference between a lay-off and a furlough?

A: *As a matter of law, there is none, but as the terms are generally understood, a lay-off is indefinite with no specific date of return, while a furlough connotes a lay off with an expectation that the employee will return on a specific date or event. Furlough tends to be the term used for employer's with seasonal workforces.*

SAVE THE DATE...

GBAC, PBS and MPL will be hosting a valuable informational SEMINAR and would like you to attend.

TOPIC: Health Savings Account (HSA)

WHEN: Wednesday April 6th, 2005
8:00am – Registration,
8:30am – 9:45am Seminar
9:45am – 10:00am – Q&A

WHERE: The Farms Country Club, Wallingford, CT. Directions: www.farmscc.org

SPEAKERS: Joseph A. Bucci Jr., CPA, Robert Schneider, Attorney Robert Noonan