

Changes in Senior Cobra Coverage (AB 254)

Assembly Bill 254(Montanez)
Senior Cobra

Background

AB 254 does away with the Senior COBRA continuation coverage for individuals over 60 years of age. This group is now eligible for health coverage under the federal Health Insurance Portability and Accountability Act (HIPAA). The intention of AB 254 is to make health care coverage more affordable to those over 60, who have lost their employer-sponsored health plan. The bill sponsors believed that Senior COBRA was too expensive. However, to be eligible for HIPAA coverage seniors had to exhaust their COBRA benefits. By eliminating the Senior COBRA provisions, adults over 60 can receive benefits through HIPAA prior to exhausting the 36 months of COBRA eligibility.

Requirements

AB 254 went into effect January 1, 2005. Individuals who lose their employee sponsored health benefits and turn 60 after January 1, 2005 are now eligible for health plan coverage through HIPAA. The rates that health plans and insurers can charge under HIPAA are capped at rates based on the average charged for products currently offered in the marketplace. PPO rates cannot exceed the average premium of the Managed Risk Insurance Program for an individual age 59 and living in the same geographic area. For HMO and non-PPO plans, the rate is capped at 170% of the standard premium charged to individuals who are 59 and live in the same geographic region.

Because of the complexity of the AB 254 it has been suggested that health plans collectively develop a brochure to education the public about the various options available to those who lose employee-sponsored health care coverage.

For more information on AB 254 visit the Department of Managed Care's website at: www.dmhc.ca.gov.

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