

SUBJECT: Conversion privileges for spouses of persons insured under certain health insurance policies

COMMITTEE: Insurance: favorable, with amendment

VOTE: 8 ayes--Simpson, Cartwright, Cofer, Crawford, Lyon, Smith, Temple, Webber

0 nays

1 present, not voting--Hartung

2 absent--Browder, Gene Green

WITNESSES: NONE

DIGEST: This bill says that if a group health policy allows an insured person to convert to an individual policy upon termination with the group, the policy must extend the conversion privilege to the spouse of the insured under certain circumstances: divorce of the couple, or death, retirement, or termination of group membership of the insured person.

PRO: This bill would protect people who suddenly find themselves without insurance because of loss of group coverage. Elderly people especially need this protection because they frequently cannot get individual insurance policies. Many families have sacrificed to pay on group policies for years. They deserve to have their coverage continued.

Proposals to make all group insurance plans offer conversion privileges are unreasonable. A law requiring conversion clauses might be unconstitutional. Such a requirement would certainly cause insurers to raise their rates, at the expense of policy holders who do not need such coverage.

CON: This bill would not accomplish anything. Only about 20% of all group health insurance policies now offer conversion to individual coverage for members who leave the group. Virtually all of these policies already give conversion privileges to the group member's spouse. This bill would merely require the companies to do what they are already doing.

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(continued)

What is really needed is a requirement that all group health policies include conversion privileges. Under the present law, an employee could work for a company for twenty years and still be without any insurance when he or she leaves the job. Several other states require all policies to include conversion provisions. The courts have ruled that these laws are constitutional. The National Association of Insurance Commissioners has recommended mandatory inclusion of conversion privileges in all group health plans.

HB 155 has several technical flaws. Its definition of "health insurance" is a new one, not in agreement with the terminology used in other sections of the insurance code. It amends a miscellaneous section of the code, rather than Article 3, which deals with health insurance policies. It mistakenly refers to "spouse" on line 8 of page 3 where it meant to say "insured". Finally, it does not put any limitations on the spouse's conversion rights. For example, a spouse would be eligible for an individual policy even if he or she gets a new job and therefore becomes eligible for another group policy.

COMMENTARY:

Rep. Cofer plans to offer a floor amendment to correct the drafting error on line 8 of page 3.

Another bill introduced this year, HB 1180 by Patterson, requires that all group health insurance plans offer conversion privileges for the insured, the spouse, and any dependents. Further, it specifies the conditions under which conversion will be permitted. For example, companies would not have to offer conversion to an individual policy when an individual left one health insurance group but joined another one. An amendment incorporating the provisions of HB 1180 may be offered as a floor substitute for HB 155.

--Analysis by Betty Anne Duke