

State of Arizona  
Senate  
Fifty-fourth Legislature  
First Regular Session  
2019

# SENATE BILL 1035

AN ACT

AMENDING SECTION 20-2330, ARIZONA REVISED STATUTES; RELATING TO  
CONTINUATION COVERAGE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 20-2330, Arizona Revised Statutes, is amended to  
3 read:

4 20-2330. Continuation of small group coverage; notice;  
5 duration; definitions

6 A. For health benefit plans issued or renewed after December 31,  
7 2018, a health benefits plan shall provide that an enrollee and any  
8 qualified dependent may continue coverage under the plan as provided in  
9 this section.

10 B. A small employer shall notify the enrollee in writing of the  
11 enrollee's qualifying event and right to continue the enrollee's and any  
12 qualified dependent's coverage within thirty days after the qualifying  
13 event. A written communication or a notice postmarked within forty-four  
14 days after a qualifying event mailed by the employer to the enrollee's  
15 last known address satisfies this notice requirement. Notice to the  
16 enrollee constitutes notice to any qualified dependent unless the employer  
17 knows there is a qualified dependent who does not live at the same address  
18 and knows the dependent's address, in which case a separate notice shall  
19 be sent to the qualified dependent. The notice shall inform the enrollee  
20 and any qualified dependent of the following information:

21 1. The enrollee's and any qualified dependent's right to continue  
22 coverage at the full cost of the coverage, which includes the employer's  
23 contribution and the enrollee's contribution and an administrative fee for  
24 the employer that may not exceed five percent of the premium.

25 2. The amount of the full cost of the coverage, stated separately  
26 for the enrollee and qualified dependent.

27 3. The process and deadline for the enrollee to elect continuation  
28 coverage for the enrollee and any qualified dependent.

29 4. The date and time by which the enrollee must submit the initial  
30 and ongoing payments to the employer to continue coverage.

31 5. The loss of continuation coverage if the enrollee fails to pay  
32 the premium and administrative fee in a timely manner.

33 C. The department shall prepare a sample notice of coverage  
34 continuation form and make the form available on its website. Use of the  
35 department's form, if properly completed, is presumed to satisfy the  
36 requirements in subsection B of this section.

37 D. To continue coverage, the enrollee or a qualified dependent  
38 shall elect continuation coverage in writing for the enrollee and any  
39 qualified dependent within sixty days after the date of the notice to  
40 elect continuation coverage and submit the first month premium to the  
41 employer within forty-five days after the date of election to continue  
42 coverage. If the enrollee or qualified dependent elects coverage pursuant  
43 to this section, coverage continues as if there had been no interruption.

44 E. Notwithstanding subsection D of this section, if the employer  
45 fails to provide complete, accurate and timely notice of the right to

1 continue coverage as specified in subsection B of this section, the  
2 enrollee has one hundred twenty days after the date of the notice to elect  
3 continuation coverage and pay the required premium and administrative fee.

4 F. If an insurance renewal occurs during the enrollee's or  
5 qualified dependent's period of eligibility for continuation coverage, the  
6 employer shall notify the enrollee or qualified dependent of any change to  
7 the premium due at least thirty days before the change is effective  
8 through the process prescribed in subsections B, C, D and E of this  
9 section.

10 G. This section does not apply if continuation coverage benefits  
11 are available to enrollees or qualified dependents pursuant to 29 United  
12 States Code sections 1161 through 1169 or 42 United States Code sections  
13 300bb-1 through 300bb-8 or if the enrollee or qualified dependent seeking  
14 to continue coverage is eligible for medicare.

15 H. Continuation coverage ends on the earliest of the following:

16 1. Eighteen months after the date the continuation coverage begins.

17 2. The date on which coverage ceases under the health benefits plan  
18 due to the enrollee's failure to timely pay the premium and administrative  
19 fee.

20 3. The date on which the enrollee or a qualified dependent becomes  
21 eligible for medicare or medicaid or obtains any other health care  
22 coverage, with respect only to that person.

23 4. The date on which the employer terminates coverage under the  
24 health benefits plan for all employees. If the employer terminates  
25 coverage under the health benefits plan for all employees and replaces the  
26 plan with coverage under another plan, the enrollee and any qualified  
27 dependents who have continuation coverage have the right to become covered  
28 under the new plan for the balance of the period that the enrollee or  
29 qualified dependent could have remained covered under the continuation  
30 coverage.

31 5. As to a dependent child of the enrollee, the date the dependent  
32 child would otherwise lose coverage under the terms of the health benefits  
33 plan due to attaining a certain age.

34 I. A qualified dependent who is determined to have a disability,  
35 under title II or title XVI of the social security act, at the time of a  
36 qualifying event may be eligible to continue coverage for an additional  
37 eleven months if the qualified dependent provides the written  
38 determination of disability from the social security administration to the  
39 employer within sixty days after the date of that determination and before  
40 the end of the eighteen-month continuation period. The health benefits  
41 plan may charge up to one hundred fifty percent of the group rate during  
42 the eleven-month disability extension. The qualified dependent shall  
43 notify the employer within thirty days after the social security  
44 administration determines that the qualified dependent no longer has a  
45 disability under title II or title XVI of the social security act.

1 J. If a qualifying event as defined in subsection N, paragraph 3,  
2 subdivision (b), (c), (d) or (e) of this section occurs during the  
3 eighteen-month continuation period, a qualified dependent may be eligible  
4 to continue coverage for an additional eighteen months.

5 K. If an enrollee is in the military reserve or national guard and  
6 is called to active duty and the enrollee's employment is terminated  
7 either after or during the active duty period, the termination is a  
8 separate qualifying event, distinct from the qualifying event that may  
9 have occurred when the enrollee was called to active duty, and the  
10 enrollee and any qualified dependent are eligible for a new eighteen-month  
11 benefit period beginning on the later of the date active duty ends or the  
12 date of employment termination.

13 L. If an enrollee is in the military reserve or national guard and  
14 is called to active duty, the following events are qualifying events  
15 distinct from the qualifying event that may have occurred when the  
16 enrollee was called to active duty:

17 1. The enrollee dies during the period of active duty.

18 2. A divorce or legal separation of the enrollee from the  
19 enrollee's spouse occurs.

20 3. A dependent child ceases to be a dependent child under the  
21 requirements of the employer's health benefits plan.

22 M. Notwithstanding subsection H of this section, if an enrollee who  
23 is in the military reserve or national guard has elected to continue  
24 coverage and is thereafter called to active duty and the coverage under  
25 the employer's health benefits plan is terminated by the enrollee or the  
26 health benefits plan due to the enrollee becoming eligible for a health  
27 care program provided by the United States department of defense, the  
28 eighteen-month period or any other applicable maximum time period for  
29 which the enrollee would otherwise be entitled to continuation coverage is  
30 tolled during the time that the enrollee is covered under the health care  
31 program. Within sixty-three days after the federal health care program  
32 coverage terminates, the enrollee may elect to continue coverage under the  
33 employer's health benefits plan retroactively to the date coverage  
34 terminated under the federal health care program for the remainder of the  
35 eighteen-month period or any other applicable time period, subject to  
36 termination of coverage at the earliest of the conditions specified in  
37 subsection H of this section.

38 N. For the purposes of this section:

39 1. "Enrollee" means an employee who is covered under an employer's  
40 health benefits plan for at least three months before a qualifying event.

41 2. "Qualified dependent" means a person who is covered under an  
42 enrollee's health benefits plan immediately before a qualifying event and  
43 who is the spouse or dependent child of the enrollee.

- 1           3. "Qualifying event" means the date coverage ends due to:  
2           (a) Voluntary or involuntary termination of employment for a reason  
3 other than gross misconduct or reduction of hours required to qualify for  
4 health benefits under the employer's health benefits plan.  
5           (b) Divorce or separation from the enrollee.  
6           (c) Death of the enrollee.  
7           (d) The enrollee becoming eligible for medicare.  
8           (e) A dependent child ceasing to be a dependent child under the  
9 generally applicable requirements of the employer's health benefits plan.  
10           (f) A retired enrollee or the spouse or dependent child of a  
11 retiree losing coverage within one year before or after commencement of a  
12 bankruptcy proceeding under title XI of the United States Code by the  
13 employer from whose employment the retired enrollee retired.  
14           4. "Small employer" means an employer that employs an average of at  
15 least one but ~~not more~~ FEWER than twenty eligible employees during the  
16 preceding calendar year.