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**BULLETIN NO. 06-13**

**TO: ALL INSURANCE COMPANIES, HEALTH SERVICE CORPORATIONS, HOSPITAL SERVICE CORPORATIONS, MEDICAL SERVICE CORPORATIONS, AND HEALTH MAINTENANCE ORGANIZATIONS**

**FROM: STEVEN M. GOLDMAN, COMMISSIONER**

**RE: P.L. 2005, C. 375 CONTINUATION COVERAGE FOR ELIGIBLE DEPENDENTS UNTIL 30 YEARS OF AGE ADMINISTRATION – CLAIMS AND BILLING**

P.L. 2005, c. 375<sup>1</sup> (Chapter 375), enacted on January 12, 2006 and effective on May 12, 2006, permits certain children of persons covered under group health plans the opportunity to maintain dependent coverage after reaching the limiting age specified in the health plan (“Chapter 375 dependents”). Chapter 375 applies to a covered employee’s dependents who have lost coverage due to age and who: are under 30 years old, are not married, have no children, are either residents of New Jersey or are full-time students, and are not actually provided coverage under any other health benefit plan (eligible dependents). Chapter 375 allows the group contractholder to require an eligible dependent or covered employee to pay up to 102% of the cost of this coverage, as derived from the applicable portion of the charge for dependent coverage. Although the Department of Banking and Insurance (Department) is developing rules implementing Chapter 375, the rules will not be adopted prior to the effective date of the new law. However, carriers<sup>2</sup> need to take action in advance of the law's effective date in order to assure compliance. Consequently, and as a result of questions the Department has received on how to implement the law, the Department is issuing this bulletin to provide guidance to carriers on certain administrative issues. Separate bulletins have been issued to address questions about rating methodology (Bulletin 06-06), general eligibility issues (Bulletin 06-11), and to provide a temporary supplemental enrollment/change form for purposes of compliance with the Health Information Interchange Technology Law (HINT), P.L. 1999, c. 154 (Bulletin 06-12). ***Please note: this bulletin revises guidance previously put forth in Bulletin 06-11.***

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<sup>1</sup> Assembly Bill 3759 (Fourth Reprint), in the 2004-2005 Legislative Session. The codified law appears at N.J.S.A. 17:48-6.19, 17:48A-7.13, 17:48E-30.1, 17B:27-30.5, 17B:27A-19.16, and 26:2J-10.3.

<sup>2</sup> The term carrier includes a health service corporation, hospital service corporation, medical service corporation, health maintenance organization and an insurer authorized to offer group health insurance.

Carriers have asked questions about the implementation of Chapter 375 for their claims and billing systems. To simplify the administrative issues, the Department will consider a carrier to be compliant with the statute when the carrier implements the Chapter 375 continuation requirement consistent with either Option 1 or Option 2 as set forth below.

Option 1: Integrated

In the Integrated Option, charges incurred by the Chapter 375 dependent are combined with the charges incurred by other family members covered under the policy for purposes of meeting the family deductible, maximum out-of-pocket expenses (MOOP) and other cost-sharing requirements or limitations. In addition:

- The premium of the Chapter 375 dependent is included in the group premium billed to the employer by the carrier;
- The employer collects the premium for the Chapter 375 dependent coverage with the group premium for employees and dependents and remits the premium to the carrier; and
- The employer retains, or the carrier provides the employer credit for, the 2% administrative component of the Chapter 375 dependent premium.

Note that the Department's response to Question #31 of Bulletin 06-11 indicated that the carrier is entitled to keep the 2% administrative fee calculated in the Chapter 375 dependent rate. The Department acknowledges that the previously-issued response is not consistent with the Integrated Option, because the prior response did not presume the employer would collect and remit the additional charge for Chapter 375 dependents. Carriers electing the Integrated Option should disregard the response to Question #31 in Bulletin 06-11. The Department also acknowledges that some readers may consider the Integrated Option to be inconsistent with the Department's response to Question #30 of Bulletin 06-11 regarding billing and collection of the premium. However, the Department is attempting to be flexible in order to resolve operational problems as they arise during actual efforts to implement Chapter 375. The Department acknowledges that in some instances, collection of the premium may be best accomplished through the employer. All other aspects of Bulletin 06-11 continue to apply for the Integrated Option.

Option 2: Stand Alone

In the Stand Alone Option, charges incurred by the Chapter 375 dependent are separated from those charges incurred by other members of the family covered on the policy. The Chapter 375 dependent's covered charges do not apply toward meeting the family deductible, MOOP or other cost-sharing requirements or limitations applicable to the other family members as a unit. Instead, the Chapter 375 dependent's covered charges are applied towards meeting a deductible, MOOP or other cost-sharing requirements and limitations as if the dependent had single coverage under the group contract. In addition:

- The carrier bills the Chapter 375 dependent premium directly to the Chapter 375 dependent;
- The carrier retains the 2% administrative component of the Chapter 375 dependent premium;

- The carrier may charge a reduced Chapter 375 dependent premium to reflect any higher cost-sharing resulting from application of the separate cost-sharing requirements;
- Prior to application, the carrier notifies the Chapter 375 dependent in writing, either through an attachment to the supplemental enrollment/change form or otherwise, of the separate application of the deductible, MOOP and other cost-sharing requirements and/or limitations and, upon conferring the coverage as described under Option 2, issues to the Chapter 375 dependent an ID card with a unique identification number.

It should be noted that the Department's response to Question #21 in Bulletin 06-11 indicated that the covered charges incurred by a Chapter 375 dependent must contribute to satisfaction of the family deductible and MOOP. The Department acknowledges that the previously-issued response is not consistent with the Stand Alone Option. Carriers electing the Stand Alone Option should disregard the response to Question #21. However, all other aspects of Bulletin 06-11 continue to be appropriate in relation to the Stand Alone Option.

Questions regarding this bulletin may be directed to the Office of Life and Health by phone at (609) 292-5427 x 50340, or by fax at (609) 633-0527. Please specify that the question concerns the Chapter 375 Administration Bulletin 06-13.

The Department intends to propose rules in the near future to implement the provisions of Chapter 375. Notice of the proposed rulemaking will appear on the Department's website at [www.state.nj.us/dobi/legsregs.htm](http://www.state.nj.us/dobi/legsregs.htm). A copy of this bulletin will also be posted to the website.

5/1/06  
Date

/s/ Steven M. Goldman  
Steven M. Goldman  
Commissioner

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