**Section 2013.70 Continuance of Coverage in Situations Involving Replacement of One Group Contract by Another**

This Section sets standards for determining liability when one group contract replaces another group contract.

a) Liability of prior carrier.

1) The prior carrier remains liable only to the extent of its accrued liabilities and extensions of benefits. The position of the prior carrier shall be the same whether the group contract holder or other entity secures replacement coverage from a new carrier, the same carrier, self-insures, or foregoes the provision of coverage.

2) Employees and dependents who are totally disabled on the date of discontinuance of the group policy of the prior carrier shall be provided an extension of benefits for a disabling illness, injury or condition as described in Section 2013.60.

3) The prior carrier, if an HMO, may limit the extension of benefits for a totally disabling illness, injury or condition to services provided by or through their participating providers, unless services are rendered on an emergency basis.

4) No prior carrier may terminate the required extension of benefits because the totally disabled person becomes covered under the succeeding carrier's contract.

5) The prior carrier must provide the extension of benefits without cost to the totally disabled person except for copayments, coinsurance and deductibles in effect at the time of discontinuance and following the discontinuance of coverage.

b) Liability of Succeeding Carrier.

1) Each person who is eligible for coverage in accordance with the succeeding carrier's plan of benefits in respect to classes eligible and actively at work and non-confinement rules, shall be covered by the succeeding carrier's plan of benefits. For purposes of this subsection, the succeeding carrier shall not individually underwrite when determining eligibility except for purposes of accepting or rejecting the group as a whole.

2) Each person not covered under the succeeding carrier's plan of benefits in accordance with subsection (b)(1) because he or she does not satisfy the actively at work or non-confinement requirement, must nevertheless be covered by the succeeding carrier in accordance with the following standards if such individual was validly covered, including by extension of benefits, under the prior plan on the date of discontinuance and such individual is a member of the class or classes of individuals eligible for coverage. Any reference in the following standards to an individual who was or was not totally disabled is a reference to the individual's status immediately prior to the date the succeeding carrier's coverage becomes effective.

A) The minimum level of benefits to be provided by the succeeding carrier shall be the applicable level of benefits of the prior carrier's plan reduced by any benefits payable by the prior plan.

B) When the succeeding carrier is an HMO, the benefits must be the HMO's own level of benefits, reduced by benefits provided or payable by the prior plan.

C) Benefits under this subsection must be provided by the succeeding carrier until at least the earliest of the following dates:

i) the date the individual becomes eligible under the succeeding carrier's group contract according to subsection (b)(1) above.

ii) the date the individual's benefits would terminate in accordance with the succeeding carrier's plan provisions applicable to individual termination of coverage (e.g., at termination of employment or ceasing to be an eligible dependent).

iii) in the case of an individual who was totally disabled and in the case of a type of coverage for which Section 2013.60 requires an extension of benefits or accrued liability, the end of any period of extension or accrued liability, which is required of the prior carrier by Section 2013.60 or, if the prior carrier's policy is not subject to that Section, would have been required of that carrier had its policy been subject to Section 2013.60.

3) The conversion privilege shall be available to those individuals whose benefits cease, if the individual has not become eligible under the succeeding carrier's plan described in subsection (b)(1) above.

4) In the case of a pre-existing conditions limitation included in the succeeding carrier's plan, the level of benefits applicable to pre-existing conditions of persons covered by the succeeding carrier during the period of time this limitation applies, shall be the lesser of:

A) the benefits of the new plan determined without application of the pre-existing conditions limitation; or

B) the benefits of the prior plan.

5) The succeeding carrier, in applying any deductibles, coinsurance, copayments or waiting period in its plan, shall give credit for the satisfaction or partial satisfaction of the same or similar provisions under a prior plan providing similar benefits. In the case of deductible provisions, the credit shall apply for the same or overlapping benefit periods and shall be given for expenses actually incurred and applied against the deductible provision of the prior carrier's plan during the 90 days preceding the effective date of the succeeding carrier's plan, but only to the extent these expenses are recognized under the terms of the succeeding carrier's plan and are subject to similar deductible provisions.

6) In any situation where a determination of the prior carrier's benefits is required by the succeeding carrier, at the succeeding carrier's request the prior carrier shall furnish a statement of the benefits available or pertinent information, sufficient to permit verification of the benefit determination or the determination itself by the succeeding carrier. For purposes of this Section, benefits of the prior plan will be determined in accordance with all of the definitions, conditions, and covered expenses provisions of the prior plan rather than those of the succeeding plan. The benefit determination will be made as if coverage had not been replaced by the succeeding carrier.

c) Liability of Succeeding Carrier as an HMO

1) So long as federally qualified HMOs are not permitted to require actively at work, hospital non-confinement rules, medical evidence of insurability, or pre-existing condition limitations, subsections (b)(2)(A) and (b)(4) above do not apply to federally qualified HMOs.

2) In situations where services for the totally disabled person are provided by the succeeding HMO, the succeeding HMO may bill the prior carrier for the reasonable cash value of services provided when the prior carrier has an obligation under its required extension of benefits. The prior carrier shall make direct payment to the succeeding HMO for the cost of the services provided.

(Source: Amended at 18 Ill. Reg. 16921, effective November 15, 1994)