



News & Types: Employment, Labor & Benefits Update

Masuda Funai Employee Benefits Newsflash - Leaves of Absence and Group Insurance Termination

3/31/2022

By: Frank J. Del Barto

Practices: Employment, Labor & Benefits

When considering whether to approve an employee's leave of absence request or upon learning that an employee will be away from work for an extended period due to a work-related injury, few employers confirm the permitted "coverage extension" provision in their group health insurance plan document. Instead, many employers simply allow such employees to continue their group health insurance coverage for months or years under the active employee group health insurance plan.

Although some leaves of absence are protected (i.e., FMLA) and may require an employer to continue an employee's active group health insurance for a specified period of time, many leaves of absence are not protected by a federal or state statute. As a result, an employee on an unprotected leave of absence may be entitled to remain on the active employee plan for a limited period of time. Some group insurance plans require that an employee's active insurance coverage be terminated on the last day of the month in which the leave of absence begins, or a few months later. In short, active group health insurance coverage for an employee on a leave of absence may need to be terminated based on the terms of the group insurance contract. This loss of insurance coverage is both required by the group health insurance plan provisions and a qualifying event under the Consolidated Omnibus Budget Reconciliation Act (COBRA) or state equivalent law.

To avoid employees being improperly retained on the active employee group health insurance plan during a leave of absence, employers should review their group health insurance plan documents to confirm the maximum period of time that employees are permitted to be retained on the active group health insurance plan before being offered COBRA continuation coverage. Because the plan document language may be vague, employers should contact their insurance brokers and/or call their Masuda Funai relationship attorney for a proper interpretation.