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Health Reform

Limit on Waiting Period for California Employees

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A new California law, effective January 1, 2014, prohibits insured plans from imposing waiting periods in excess of 60 days on covered employees and their dependents in California. Note that this provision is narrower than the federal requirement prohibiting waiting periods in excess of 90 days. The California law was originally thought to apply only to small, non-grandfathered plans; however, recent guidance has clarified that all insured plans (regardless of size or grandfathered status) are subject to this provision. The law means that an insured plan in California cannot have more than a 60-day waiting period – first of the month following 60 days will not work. It is not clear whether it can be phased in with plan year renewals or will require an across the board change on January 1, 2014.

Who Does the Law Apply To?

The law is written to apply to any insured plan that provides benefits to residents in California regardless of the situs of the contract or the policyholder. It is important to note that if an employer has an insured plan written outside of California that covers California employees, the plan may not be able to impose a waiting period over 60 days. The law does not apply to self-insured plans; however, self-insured plans remain subject to the federal prohibition on waiting periods in excess of 90 days beginning with plan years in 2014. The law also does not apply to dental or vision coverage when provided under a separate insurance contract (however, plans may prefer to align waiting periods for administrative ease).

We will be reaching out to carriers to learn how they will comply with the law – specifically whether they will honor these rules on policies situsued outside of California and whether they view the new rules as effective January 1, 2014 or upon renewal in 2014. We will continue to keep you apprised.