



HEALTHCARE QUESTION OF THE MONTH: WHO PAYS CLAIMS INCURRED PRIOR TO SELF-FUNDED HEALTH PLAN TERMINATION?

Question: If we terminate our self-funded health plan, who pays for the claims that were incurred but not processed or funded before the plan terminated?

Answer: The plan is responsible for paying out any claims that are incurred through the date of plan termination. Claims that the plan should cover will be submitted after the plan termination date, so the plan will need to ensure adequate funding to cover the costs of the claims. The Plan Administrator may wish to seek the advice of counsel who can review the plan's funding and to ensure claims are paid in accordance with plan rules. The Plan Administrator may also wish to seek the advice of a tax professional to determine what tax consequences may arise, i.e. if the plan sponsor will be subject to any ACA penalty as a result of no longer offering affordable group health coverage.

It is important to timely notify plan participants of the termination of coverage so that the employee and dependents may obtain other health coverage, such as in a spouse's employer-sponsored group health plan. Under HIPAA special enrollment an employee must request enrollment in a group health plan within 30 days of the loss of coverage from the spouse's plan. The plan participants should also be notified as soon as possible to avoid incurring any claims after the date of plan termination.