

# HIPAA - Giving You Credit for Previous Health Coverage

The Health Insurance Portability and Accountability Act of 1996 was signed into law on August 21, 1996. This law includes important new protections for millions of working Americans and their families who have preexisting medical conditions. HIPAA places requirements on employer-sponsored group health plans, insurance companies and health maintenance organizations (HMOs).

Basically, HIPAA gives credit for having previous group health insurance coverage. When an individual leaves this group, a "certificate of creditable coverage" must be provided documenting the length of prior health coverage. This certificate is then used by a new group plan to determine if preexisting condition exclusions can be applied.

Traditionally, many employer-sponsored group health plans limited or denied coverage of conditions that were present prior to an individual's enrollment in that health plan. These types of exclusions are known as "preexisting condition exclusions" and HIPAA places strict limitations on such exclusions.

Preexisting condition exclusions cannot be applied to pregnancy, regardless of whether the woman had previous coverage. In addition, preexisting condition exclusions cannot be applied to a newborn or adopted child.

Under HIPAA, the only preexisting conditions that may be excluded under a preexisting condition exclusion are those for which medical advice, diagnosis, care or treatment was recommended or received within the 6-month period ending on an individual's enrollment date (typically, your date of hire).

The maximum length of a preexisting condition exclusion period is 12 months after the enrollment date (18 months in the case of a "late enrollee"). A plan must reduce an individual's preexisting condition exclusion period by the number of days of an individual's creditable coverage.

## JOE EXAMPLE

*Joe is employed by XYZ Company and participated in its group health plan for three years. Joe has a history of heart disease and takes medicine for this condition. Joe leaves XYZ Company and goes to ABC Company. What happens?*

*XYZ Company will provide Joe with a "Certificate of Creditable Coverage" documenting that*

*Joe had three years of health coverage. Joe gives this certificate to ABC Company.*

*ABC's health plan has a preexisting condition exclusion that extends for 12 months. Joe's heart condition would be considered a preexisting condition because he is receiving treatment (medication) for his heart condition.*

*ABC will reduce the length of the exclusion (12 months) by the length of time Joe had previous group health coverage (3 years). Joe's coverage will not be limited because he has more "creditable coverage" than the length of the exclusion.*

## SALLY EXAMPLE

*Sally's employed by 123 Company and participated in its group health plan for six months. Prior to joining 123 Company, Sally did not have group insurance. Sally was diagnosed with tonsillitis four weeks ago. Sally leaves 123 Company and goes to 456 Company. What happens?*

*123 Company will provide Sally with a "Certificate of Creditable Coverage" documenting that she had six months of health coverage. Sally gives this certificate to 456 Company.*

*456 Company's health plan has a preexisting condition exclusion that extends for 12 months. Sally's tonsillitis would be considered a preexisting condition because she was diagnosed with this condition within the previous six months.*

*456 Company will reduce the length of the exclusion (12 months) by the length of time Sally had previous group health coverage (six months). Sally's condition would be excluded for six months.*

As always, discuss your insurance options with a professional insurance agent or advisor. To obtain additional information on HIPAA contact:

**Pension and Welfare Benefits Administration  
US Department of Labor  
202/219-8776**

**Internet: <http://www.dol.gov/dol/pwba>**