

Inaccurate Leave of Absence Provisions May Lead to Stop Loss Carrier Denial of Claims

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For employees on a leave of absence (LOA) or a furlough, employers often extend group health plan coverage during the LOA or furlough for a prescribed time period. With regard to group health plans that are considered to be self-insured, generally, the employer's reinsurer, or stop loss carrier, is only required to cover claims (above the policy's self-insured retention level) incurred for a covered person based on the written terms of the plan. In other words, the policy underwrites the coverage that is provided under the plan document. If extended coverage during a LOA or furlough is not expressly set out in the plan document, a stop loss carrier could seek to deny claims incurred during that period. It is thus recommended that employers with self-insured plans review their health plan documents to ensure consistency with administrative practices regarding coverage during LOAs and furloughs and coordinate as necessary with the stop loss carrier to ensure coverage under the reinsurance policy.