

Leave of Absence Policy & Stop Loss Coverage Requirements

It is a fairly common and generous practice of employers to allow employees out on a leave of absence to continue their health plan coverage. For certain leaves, such as under the Family and Medical Leave Act and the Uniformed Services Employment and Reemployment Rights Act, this is required for group health plan coverage. But, continuing coverage out of a generous, long-standing company policy or inattention to plan terms can result in substantial exposure to the employer.

The three things an employer needs to consider regarding a leave of absence policy are the employee handbook, the self-funded plan document, and the stop loss policy. If all three do not align with the same understanding of when coverage ends, the employer may wind up with a large claim that is not covered under their stop loss policy.

When considering a large claim to be covered, the stop loss carrier will refer to the plan document for eligibility under the plan. If the employer thought it would be a nice idea to keep an employee on the medical plan for an extended leave of absence, but that retention is not supported by the plan document or the employer's written leave of absence rules, that person's claims would not be covered under the stop loss policy. The result could be a huge financial obligation to the employer.

It is highly recommended that, for all benefits, employers should be certain:

- they understand when benefits are supposed to end, not only as a matter of their "company practice," but via written policy to be followed for all employees; and
- to ensure the company policy/employee handbook aligns with their benefits plan document and stop loss policy.

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