

**APPENDIX B
CONSUMER EXPLANATORY BOOKLET**

COORDINATION OF BENEFITS

IMPORTANT NOTICE

This is a summary of only a few of the provisions of your health plan to help you understand coordination of benefits, which can be very complicated. This is not a complete description of all of the coordination rules and procedures, and does not change or replace the language contained in your insurance contract, which determines your benefits.

Double Coverage

It is common for family members to be covered by more than one health care plan. This happens, for example, when a husband and wife both work and choose to have family coverage through both employers.

When you are covered by more than one health plan, state law permits your insurers to follow a procedure called “coordination of benefits” to determine how much each should pay when you have a claim. The goal is to make sure that the combined payments of all plans do not add up to more than your covered health care expenses.

Coordination of benefits (COB) is complicated, and covers a wide variety of circumstances. This is only an outline of some of the most common ones. If your situation is not described, read your evidence of coverage or contact your state insurance department.

Primary or Secondary?

You will be asked to identify all the plans that cover members of your family. We need this information to determine whether we are the “primary” or “secondary” benefit payer. The primary plan always pays first when you have a claim.

Any plan that does not contain your state’s COB rules will always be primary.

When This Plan is Primary

If you or a family member are covered under another plan in addition to this one, we will be primary when:

Your Own Expenses

- The claim is for your own health care expenses, unless you are covered by Medicare and both you and your spouse are retired.

Your Spouse’s Expenses

- The claim is for your spouse, who is covered by Medicare, and you are not both retired.

Your Child’s Expenses

- The claim is for the health care expenses of your child who is covered by this plan and
- You are married and your birthday is earlier in the year than your spouse’s or you are living with another individual, regardless of whether or not you have ever been married to that individual, and your birthday is earlier than that other individual’s birthday. This is known as the “birthday rule”;
- or
- You are separated or divorced and you have informed us of a court decree that makes you responsible for the child’s health care expenses;
- or
- There is no court decree, but you have custody of the child.

Other Situations

We will be primary when any other provisions of state or federal law require us to be.

How We Pay Claims When We Are Primary

When we are the primary plan, we will pay the benefits in accordance with the terms of your contract, just as if you had no other health care coverage under any other plan.

How We Pay Claims When We Are Secondary

We will be secondary whenever the rules do not require us to be primary.

How We Pay Claims When We Are Secondary

When we are the secondary plan, we do not pay until after the primary plan has paid its benefits. We will then pay part or all of the allowable expenses left unpaid, as explained below. An “allowable expense” is a health care expense covered by one of the plans, including copayments, coinsurance and deductibles.

- If there is a difference between the amount the plans allow, we will base our payment on the higher amount. However, if the primary plan has a contract with the provider, our combined payments will not be more than the amount called for in our contract or the amount called for in the contract of the primary plan, whichever is higher. Health maintenance organizations (HMOs) and preferred provider organizations (PPOs) usually have contracts with their providers.
- We will determine our payment by subtracting the amount the primary plan paid from the amount we would have paid if we had been primary. We may reduce our payment by any amount so that, when combined with the amount paid by the primary plan, the total benefits paid do not exceed the total allowable expense for your claim. We will credit any amount we would have paid in the absence of your other health care coverage toward our own plan deductible.
- If the primary plan covers similar kinds of health care expenses, but allows expenses that we do not cover, we may pay for those expenses.
- We will not pay an amount the primary plan did not cover because you did not follow its rules and procedures. For example, if your plan has reduced its benefit because you did not obtain pre-certification, as required by that plan, we will not pay the amount of the reduction, because it is not an allowable expense.

Questions About Coordination of Benefits? Contact Your State Insurance Department

Chronological Summary of Action (all references are to the Proceedings of the NAIC)

1971 Proc. I 54, 58, 208, 225, 226-230 (adopted).
1980 Proc. II 22, 26, 588, 592-593 (added section on divorced parents).
1983 Proc. I 6, 35, 644, 693, 699 (added section on laid-off and retired employees).
1984 Proc. II 9, 20, 536, 616, 625-636 (revised and added birthdate rule and reprinted).
1985 Proc. II 11, 23, 609, 615, 627-638 (adopted easy-to-read version).
1986 Proc. I 9-10, 23, 665, 673 (footnote added).
1988 Proc. I 9, 20-21, 630, 713, 715-728 (amended and reprinted).
1989 Proc. I 9, 24-25, 703-704, 839, 843-846 (amended).
1990 Proc. II 7, 16, 600, 676-677, 678-683 (amended).
1991 Proc. I 9, 17-18, 609, 648-652 (amended).
1995 Proc. 3rd Quarter 4, 18, 692, 696, 703-717 (amended and reprinted).
2004 Proc. 4th Quarter 683, 738, 739-761 (amended and reprinted, adopted by parent).
2005 Proc. 1st Quarter 48 (adopted by Plenary).
2013 Proc. 2nd Quarter 113, 127-130, 364-370 (amended).