

# ***FYI – For Your Information***

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## ***Colorado Catastrophic Health Insurance***

### ***GENERAL INFORMATION***

On or after Jan. 1, 1995, any employer who does not offer other health insurance may offer catastrophic health insurance to its employees.

### ***DEFINITIONS***

“Employer” means a person or entity employing one or more individuals in Colorado, excluding the federal government, or businesses providing health insurance coverage through a self-insured plan which has benefits equal to or greater than a catastrophic health insurance policy described in this FYI.

“Employee” means an individual who resides in Colorado and is employed by an employer.

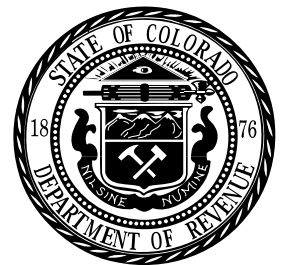
“Dependent child” means an adopted or natural child of an employee who

- a) is under the age of 21;
- b) is legally entitled to or the subject of a court order for the provision of proper or necessary subsistence, education, medical care, or any other care necessary for his or her health guidance or well-being, and who is not otherwise self-supporting, married or a member of the U.S. armed forces; or
- c) cannot be self-supporting because of mental or physical disability. [§39-22-504.6 C.R.S.]

### ***REQUIREMENTS FOR CATASTROPHIC HEALTH INSURANCE POLICIES***

Each catastrophic health insurance policy must

- be in the name of the insured employee.
- have a minimum deductible of \$2,500.
- offer coverage for the spouse and dependent children of the insured employee.
- cover all employees who elect coverage and are not otherwise covered by medicare or another employer’s catastrophic health insurance policy.
- cover an employee who would be eligible, except for underwriting considerations that relate to health, if the employee was continuously covered for one year or more under another health insurance policy.
- be priced based on a modified form of community rating. The information to be taken into account by the insurer during the underwriting process is limited to the applicant’s age, sex, health status, and the geographical area in which the applicant lives.
- provide a clearly written contract of coverage including a list of procedures covered under the policy. This list shall be updated annually and sent to the insured.



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The policy must include a portability clause which provides that

- When an employee leaves employment for any reason the employee, the employee's spouse and the employee's dependent children may each elect to convert coverage to an individual policy if they request to do so within 31 days after the date coverage is lost.
- An employee or the spouse or covered dependents of an employee who elect to convert coverage shall pay all premiums after the date of the conversion. The premiums may not exceed 135 percent of premium amounts that would have been charged if coverage were provided to an employee under the plan during the same period. If the plan the employee had is canceled or not renewed, the premium rates shall be based on the rate which would have been charged by the insurer if the plan continued in force.
- Benefits may not be less than those provided under the policy prior to the date of conversion.
- The insurer may apply against the benefit limits of the conversion policy any benefits paid prior to the date of conversion, if the insurer credits the insured with any waiting period or deductible which was credited under the policy prior to the date of conversion.
- Upon the death of the insured, one of the surviving dependents of the insured may convert the policy to an individual policy.

### ***RESPONSIBILITIES OF THE EMPLOYEE AND EMPLOYER***

When an employee purchases catastrophic health insurance, the employee is responsible for paying the entire cost of the insurance; however, the employer, at its option, may pay all or a part of such cost.

An employee who decides to have a Catastrophic Health Insurance Plan must sign an "Employee Election: Catastrophic Health Insurance" (DR 0811). The form must be signed before the employer

withholds the first contribution to the insurance plan.

The employer should withhold the premium payments for catastrophic health insurance from the wages of an employee who has elected coverage. The employer must remit the premiums to the insuring entity on the employee's behalf. All such premiums collected by an employer are withheld from the employee's wages on a Colorado pre-tax basis. [§39-22-104.5 C.R.S.]

An employer withholding premium payments from an employee's wages shall report the amount withheld to the Department of Revenue and to the employee in the form of a letter on the employer's letterhead. The letter should be furnished to the employee and the Department of Revenue on or before Jan. 31. The letter must also explain that the premiums withheld may be claimed as a modification (deduction) when computing the employee's Colorado taxable income for the year of the withholding.

NOTE: This catastrophic health insurance pre-tax feature is NOT available to self-employed persons.

### ***FURTHER INFORMATION***

For more information on related topics, consult the following DOR publications:

- FYI Income 29 "Medical Savings Accounts";
- FYI General 1 "Department of Revenue Publications";
- FYI General 8 "The FYI Program - Index and General Information."

Single FYIs are free from the Taxpayer Service Division. They may be obtained at any statewide Taxpayer Service Center; or by writing to the Colorado Department of Revenue, 1375 Sherman St., Denver, CO 80261; or by calling the DOR Forms Hotline at (303) 232-2414; or visit the DOR Web site at [www.revenue.state.co.us](http://www.revenue.state.co.us)

Please use the FYI number (General 1, Sales 9, etc.) when ordering FYI publications.