Bulletin 288

Health Insurance – Grace Periods

State laws require that most health and disability insurance policies provide a grace period, usually 30 or 31 days, for the payment of any overdue premium. See, for example, 24-A M.R.S.A. § 2707 and Bureau of Insurance Rule 191, § 9(K). The grace period may in some cases be extended either by the policy or through the operation of notice of cancellation requirements. See, for example, 24-A M.R.S.A. § 2809-A(1-A) and 24-A § 4209(6).

This Bulletin clarifies that health insurance coverage and the carrier's obligation to pay for benefits continues during the grace period, regardless of whether the insured or policyholder pays the premium due for the grace period. Carriers may not deduct overdue premiums from any payment owed directly to medical providers or other third parties for covered services rendered while coverage is legally in force, including payment for services rendered during the grace period. Overdue premiums owed directly by the insured, including any premiums due for the grace period, may be offset from any payment due directly to the insured.

If a medical provider makes an inquiry to the insurance carrier, during the grace period, as to whether coverage is in force, the carrier cannot advise that the premium has not been paid, or in any way imply that coverage is dependent on the payment of the premium for the grace period. The carrier should advise medical providers and insureds that the insured is fully covered until the date coverage will cease. All covered services, including prescription drugs, must be covered to the same extent that they would be had the premium been paid.

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