

## COBRA - Overview

The Consolidated Omnibus Budget Reconciliation Act (COBRA) was enacted in 1986. It gives Qualified Beneficiaries (which includes certain former employees, certain active employees, retirees, spouses, former spouses and dependent children) the right to temporarily continue their health coverage if coverage is lost to certain Qualifying Events. The insurance that is continued under COBRA is the exact same health insurance that the person had as an active, eligible employee (or dependent); however, they are now responsible for the full cost of the insurance premium (usually 102% of the premium) instead of paying the employee portion of the premium. COBRA participants are provided the same coverage options that are provided to similarly-situated employees or dependents. Should benefits increase, decrease, change, etc, both active employee and COBRA participants experience the same change and have the same rights.

Who	May continue coverage if it is lost due to...	For up to...
Employee	<ul style="list-style-type: none"> <li>• Reduction in hours of employment</li> <li>• Termination of employee's employment for any reason other than gross misconduct</li> <li>• Failure to return from a leave of absence under FMLA</li> </ul>	<ul style="list-style-type: none"> <li>• 18 months</li> <li>• 18 months</li> <li>• 18 months</li> </ul>
Covered spouse of employee	<ul style="list-style-type: none"> <li>• Reduction in employee's hours of employment</li> <li>• Termination of employee's employment for any reason other than gross misconduct</li> <li>• Employee's failure to return from a leave of absence under FMLA</li> <li>• Death of employee</li> <li>• Divorce or legal separation</li> <li>• Employee becomes entitled to Medicare and elects Medicare as primary provider</li> </ul>	<ul style="list-style-type: none"> <li>• 18 months</li> <li>• 18 months</li> <li>• 18 months</li> <li>• 36 months</li> <li>• 36 months</li> <li>• 36 months</li> </ul>
Covered dependent child(ren) of employee	<ul style="list-style-type: none"> <li>• Reduction in employee's hours of employment</li> <li>• Termination of employee's employment for any reason other than gross misconduct</li> <li>• Employee's failure to return from a leave of absence under FMLA</li> <li>• Death of employee</li> <li>• Employee's divorce or legal separation</li> <li>• Employee becomes entitled to Medicare and elects Medicare as primary provider</li> <li>• Loss of dependent status under existing coverage</li> </ul>	<ul style="list-style-type: none"> <li>• 18 months</li> <li>• 18 months</li> <li>• 18 months</li> <li>• 36 months</li> <li>• 36 months</li> <li>• 36 months</li> <li>• 36 months</li> </ul>
COBRA benefits can terminate prior to the 18 or 36 months maximum time limit for the following reasons: <ul style="list-style-type: none"> <li>• The required COBRA premium is not paid in a timely manner</li> <li>• The person who has elected COBRA becomes covered under another employer's group health plan, unless the group health plan contains an exclusion/limitation regarding a pre-existing condition that the person has</li> <li>• The person who has elected COBRA becomes entitled to Medicare</li> <li>• If the former employer no longer maintains a group health plan covering any employee</li> </ul>		

To elect COBRA, the person must submit the election form within 60 days of either the date the insurance ended or the date the COBRA packet was mailed, whichever occurred later. If the Qualified Beneficiary submits the election form without payment, they have 45 days from their initial election date to submit their initial payment.

In 2009, President Obama signed into law the American Recovery and Reinvestment Act (ARRA). Under this law, Qualified Beneficiaries who lose insurance coverage due to an involuntary termination of employment and do not have access to health care elsewhere are generally eligible to pay a reduced COBRA premium. If the Qualified Beneficiary is eligible for subsidy, they are responsible for paying only 35% of the COBRA premium for up to 9 months, provided they remain eligible during those 9 months.

## COBRA - FAQs

### **Who is entitled to continue their benefits under COBRA?**

- Group health plans for employers with 20 or more employees (full- or part-time) on more than 50% of its typical business days in the previous calendar year are subject to COBRA.
- People who are eligible for COBRA are considered “Qualified Beneficiaries.” Qualified Beneficiaries typically are the employee, the employee’s spouse, and the employee’s dependent child(ren). In certain cases, a retired employee, the retired employee’s spouse and dependent child(ren) may be Qualified Beneficiaries. Any child born to or placed for adoption with the employee during the period of COBRA coverage is also considered a Qualified Beneficiary. To be eligible, the person must have been enrolled in the health plan on the day before the Qualifying Event and the health plan must still be in effective for active employees.
- A Qualified Beneficiary must experience a Qualifying Event that causes them to lose insurance to be eligible for COBRA.

### **Under COBRA, what benefits must be covered?**

- Qualified Beneficiaries must generally be offered coverage that the employee and/or dependent had immediately prior to the Qualifying Event. A change in benefits under the plan for active employees will also apply to Qualified Beneficiaries who have elected COBRA.

### **When does COBRA coverage begin?**

- COBRA coverage begins on the date that health care coverage would otherwise have been lost due to the Qualifying Event.

### **What is the process that Qualified Beneficiaries must follow to elect COBRA?**

- Plan administrators must be notified of the employee’s death, termination, reduction in hours or entitlement to Medicare within 30 days of the Qualifying Event; and must be notified within 60 days after divorce, legal separation or if a child no longer is eligible to be covered as a dependent under plan rules.
- Plan administrators generally must send an election notice to the Qualified Beneficiaries no later than 14 days after they receive notice of the Qualifying Event.
- Qualified Beneficiaries have 60 days from the date their insurance ends or the date the COBRA packet is mailed to them (whichever is later) to elect to continue coverage. They have 45 days from their election date to send in payment.

### **When are the COBRA premiums due?**

- COBRA premiums cannot be required more frequently than every month. Federal law does consider payments as “timely” if they are submitted within 30 days of the due date. COBRA payments are considered “made” based off of the date that the payment was sent (such as the post-mark date), not the date the payment was received or processed.