

# Consolidated Omnibus Budget Reconciliation Act (COBRA)

The Consolidated Omnibus Budget Reconciliation Act (COBRA) of 1985 gives you and your covered dependents the right to continue group health coverage (Medical, Dental, Vision, Health Reimbursement Arrangements (HRA) and Flexible Benefit Plan Health Care Spending Accounts) when coverage with your plan ends. This COBRA information piece explains the basic rights provided to you and your covered dependents under COBRA.

## 1. Who Can Continue Coverage?

Qualified Beneficiaries may continue group health coverage when coverage ends due to the occurrence of certain events called "Qualifying Events". Qualified beneficiaries can include an employee, spouse, and/or dependent that was covered under one of the group health plans the day before a Qualifying Event. Also, a qualified beneficiary can be a child who is born or placed for adoption with the employee during COBRA coverage.

## 2. A Qualifying Event is defined as follows:

- a) End of employment or a reduction of work hours;  
EXCEPTION: COBRA rights do not apply if the end of employment is due to an employee's gross misconduct
- b) Death of covered employee;
- c) Divorce or legal separation of a covered employee from a covered spouse;
- d) A covered dependent child is no longer eligible under the terms of the plan; or
- e) Entitlement to Medicare is met for a covered employee.

NOTE: Entitlement means a person becomes eligible for and enrolled in Medicare.

**Qualified beneficiaries are required to notify the COBRA Administrator within 60 days of the following Qualifying Event:**

- a) Employee:
  - 1) Divorce or legal separation of a covered employee from a covered spouse; or
- b) Covered dependent:
  - 1) The date of the covered dependent's marriage;
  - 2) The last day of the month in which a covered dependent is no longer financially dependent on the covered employee; or
  - 3) The last day of the month in which a covered dependent reaches 25 years of age.

## 3. What Coverage's May Be Continued?

Qualified beneficiaries may elect their COBRA coverage to continue in the health, dental and vision plans in which they were enrolled on the day before the Qualifying Event. The group health coverage offered under COBRA shall remain the same as coverage provided to active employees and their dependents. If changes to coverage are made for active employees and their dependents, the coverage provided under COBRA will change in the same manner. If a qualified beneficiary moves from the service area of a medical plan, they must change medical plans. Notification must be sent to the COBRA Coordinator within 30 days of the move.

## 4. How Long Can Coverage Continue?

When coverage on an active employee stops because employment ends or there is a reduction in work hours, COBRA coverage may be continued for up to 18 months. If a qualified beneficiary's health coverage ends for any Qualifying Event other than termination or reduction of work hours COBRA coverage becomes available to that individual for up to 36 months.

*NOTE: The 18-month coverage period may be extended for covered dependents if another Qualifying Event occurs during the initial 18-month coverage period. For example, if a covered dependent child reaches the eligibility age limit within the first 18-month COBRA period, the dependent child may elect to continue coverage beyond 18 months. However, if multiple Qualifying Events occur, coverage may not continue beyond a total of 36 months from the date of the first Qualifying Event.*

A disabled qualified beneficiary may continue COBRA coverage for a maximum of 29 months if he or she:

- a) is considered to be disabled according to Social Security standards at the time of or within 60 days of the Qualifying Event;
- b) remains disabled according to Social Security standards during the extended COBRA coverage period; and
- c) notifies the COBRA Administrator of the Social Security disability determination within 60 days after it is made, before the end of the first 18 months of standard COBRA coverage.

*NOTE: All covered family members of a disabled qualified beneficiary are entitled to an 11-month extension as well if the disability qualifies as stated above.*

If a qualified beneficiary is notified by Social Security that he or she is no longer considered disabled, the qualified beneficiary must notify the COBRA Administrator within 30 days of the notification.

**5. When Does COBRA Coverage End?**

COBRA coverage for a qualified beneficiary ends on the earliest of the following dates:

- a) The last day of the month for which a premium has been paid. There is a grace period of 30 days for the regularly scheduled monthly premiums;
- b) The date the qualified beneficiary becomes covered as an employee or an eligible dependent under any other group health plan. EXCEPTION: COBRA coverage will not end if the qualified beneficiary has a pre-existing condition that is excluded under the new plan;
- c) The date, after the date of the continuation coverage election, the qualified beneficiary becomes eligible for and enrolled in Medicare;
- d) The date on which the employer ceases to provide any group health coverage to any employee;
- e) The last day of the first month (at least 30 days after) a qualified beneficiary is no longer considered to be disabled by Social Security, but not before the initial 18-month COBRA period ends; or
- f) The ending date of the maximum COBRA continuation period (18, 29, or 36 months).

**6. When Must A Qualified Beneficiary Decide?**

A qualified beneficiary has 60 days from the later of the following dates to elect COBRA continuation coverage:

- a) The Qualifying Event date; or
- b) The date the notice of the right to continue coverage is sent. Continuation coverage is effective from the date that coverage under the employer's plan would otherwise end, regardless of when the decision to elect COBRA coverage is received during the 60-day election period. If continued coverage is not elected within this 60-day period, group health coverage will end along with the right to continue coverage under COBRA.

**7. How Much Will It Cost?**

Because qualified beneficiaries must pay premiums to the plan as directed by the employer all COBRA premium payments are made on an after-tax basis. The monthly COBRA premium is the total monthly insurance premium for coverage under the eligible health plan and a 2% of premium administrative fee may apply. If the premium for group coverage under the employer's plan changes, the monthly premium for continuation coverage under COBRA will also change in the same manner. The monthly premium for continuation of a Health Care Spending Account, which is part of a Flexible Benefit Plan, has COBRA premiums based on the monthly contribution amount at the time of termination and coverage can continue for the duration of the current Flexible Benefit Plan year. In most situations COBRA for the Flexible Benefit Plan only applies when a positive balance remains in the Health Care Spending Account at termination. The employer may charge an additional 2% administrative fee for continued participation. If the plan is a Health Reimbursement Arrangement then regular COBRA rules apply.

If a qualified beneficiary is disabled according to Social Security and qualifies for 29 months of COBRA coverage, the monthly premium for the last 11 months of COBRA coverage will be the entire active employee premium and the employer may add a 50% administrative fee. If only the non-disabled family members elect the additional 11 months, the monthly premium will be the entire active employee premium, and the employer may add a 2% administrative fee.

**8. When and To Whom Do the Qualified Beneficiaries Pay?**

Qualified beneficiaries may be billed for payments and must send payments as directed each monthly to continue to be active in the selected health plan. The first premium payment is due no later than 45 days after the qualified beneficiary is sent the COBRA confirmation notice. Payments of the remaining monthly premiums are due on the first calendar day of each month. If the COBRA Administrator does not receive the premium within 30 days of this due date, coverage will end on the final calendar day of the last month for which the COBRA premium was paid. Coverage that is canceled due to non-payment of COBRA premiums cannot be reinstated.

**9. What Happens When COBRA Ends?**

An individual who continues COBRA coverage through the entire period has the opportunity to convert COBRA coverage to an individual policy. This individual policy is limited to medical coverage only, and does not require evidence of good health. Conversion may be made during the month before the 18th, 29th, or 36th month COBRA coverage period ends. Individual conversion policies and rates are established by the medical carrier who underwrites the group plan are not the same as coverage under COBRA. Instead of selecting COBRA coverage, qualified beneficiaries may have the opportunity convert to an individual policy when regular group coverage ends (i.e., at the time a Qualifying Event occurs). To convert to an individual policy, the covered person must request conversion within 30 days after medical coverage under the employer's group plan ends.

For additional information specific to your company health plans contact your COBRA administrator.