

# COBRA — CONTINUATION OF HEALTH COVERAGE

## WHAT IS COBRA?

In 1986, Congress enacted continuation of health care coverage requirements, commonly referred to as COBRA. COBRA stands for the Consolidated Omnibus Budget Reconciliation Act and was designed to protect certain employees and their dependents when they experience a loss of coverage under a group health plan. COBRA provides continuation of health coverage, that otherwise would have been terminated due to certain qualifying events.

## IS YOUR FIRM REQUIRED TO OFFER COBRA?

Businesses with 20 or more full- or part-time employees on 50% of the typical business days during the previous calendar year are required to offer continuation of coverage under COBRA. COBRA applies to employees, the employee's spouse and dependent children. These individuals are referred to as "qualified beneficiaries."

## COBRA ADMINISTRATION SERVICES

COBRA administration is a complex process, governed by constantly changing rules and regulations. Worse, virtually every aspect of COBRA is extremely time-sensitive, so prompt and proper actions are critical. Benefit Providers takes the worry out of COBRA administration. How? With comprehensive and efficient administration, ensuring the compliance of your plan.

## HOW DOES IT WORK?

Benefit Providers promptly takes care of the necessary communications, notices, forms and record keeping. It even provides for the collection of premium payments connected with COBRA. In all, it's a security blanket that keeps you in compliance with complex federal regulations.

## BENEFIT PROVIDERS WILL:

- ✓ Assume liability for all your Cobra administrative processes
- ✓ Provide easy-to-understand monthly account reports
- ✓ Send Cobra notification packets to "qualified beneficiaries"
- ✓ Communicate with employees and "qualified beneficiaries"
- ✓ Send election notices
- ✓ Collect insurance payments
- ✓ Send insurance payments to employers
- ✓ Send late payment notices
- ✓ Manage grace periods for timely notifications
- ✓ Handle department notifications
- ✓ Send a notice during the confirmation period if another qualified event is experienced
- ✓ Provide telephone support for COBRA participants and clients
- ✓ Determine if there's been a "Qualified Event"
- ✓ Send expiration of coverage notices



### DO I QUALIFY FOR COBRA COVERAGE?

To qualify you must have been covered by an employer's health plan and must have lost coverage because of one or more of the following:

- ✓ Voluntary or involuntary termination of your employment (or of that of your spouse or your parent) for reasons other than gross misconduct
- ✓ Reduction in the number of hours of employment worked by you (or by your spouse or your parent)
- ✓ Your spouse or your parent becoming entitled to Medicare
- ✓ Divorce or legal separation from your spouse or of your parent
- ✓ Death of your spouse or your parent
- ✓ Loss of dependent child status under the plan rules

### WHEN DOES COBRA COVERAGE BEGIN?

COBRA coverage begins on the date that health care coverage would otherwise have been lost by reason of a qualifying event.

### HOW LONG DOES COBRA COVERAGE LAST?

COBRA beneficiaries generally are eligible for group coverage during a maximum of 18 months for qualifying events due to employment termination or reduction of hours of work. Certain qualifying events, or a second qualifying event during the initial period of coverage, may permit a beneficiary to receive a maximum of 36 months of coverage.

Coverage begins on the date that coverage would otherwise have been lost by reason of a qualifying event and will end at the end of the maximum period. It may end earlier if:

- ✓ Premiums are not paid on a timely basis
- ✓ The employer ceases to maintain any group health plan
- ✓ The beneficiary becomes eligible for coverage under another employer group health plan that does not contain any exclusion or limitation with respect to any pre-existing condition.
- ✓ After the COBRA election, a beneficiary becomes entitled to Medicare benefits.



### WHAT HAPPENS AFTER THE COBRA COVERAGE ENDS?

Some plans allow participants and beneficiaries to convert group health coverage to an individual policy. If this option is generally available from the plan, a qualified beneficiary who pays for COBRA coverage must be given the option of converting to an individual policy at the end of the COBRA continuation coverage period. The option must be given to enroll in a conversion health plan within 180 days before COBRA coverage ends. The premium for a conversion policy may be more expensive than the premium of a group plan, and the conversion policy may provide a lower level of coverage. The conversion option is not available if the beneficiary ends COBRA coverage before reaching the end of the maximum period of COBRA coverage.



## COBRA QUESTIONS FREQUENTLY ASKED BY EMPLOYEES

### I HAVE NOT HEARD ANYTHING FROM MY PLAN ADMINISTRATOR!

Your notice must be provided in person or by first class mail within 44 days of a qualifying event.

### CAN THEY RAISE MY COBRA PREMIUMS?

As long as the company increases the premium for everyone, they can raise the rates. Remember, they aren't just offering it for COBRA participants, but are raising it on the group health plan, and so everyone is paying more.

### WHAT IF MY COBRA PROVIDER GOES OUT OF BUSINESS?

You would lose coverage because whatever happens to the regular employees, happens to you also, since it is continuation coverage

### NO ONE FROM MY COMPANY IS CONTACTING ME.

First contact your plan administrator or employer, whoever was in charge of the company health plan.

### MY COMPANY HAS TOLD ME THEY ARE NOT GOING TO OFFER ME COBRA.

Find out if you are eligible here. If you are, contact your government investigator. If the case has merit, they will appoint an investigator, who will start a case, to see if there is a pattern of abuse. Although your investigator cannot impose fines to the company, you have the option of suing the employer in federal court. If the judge finds they broke the law, they can be fined up to \$110 per day, payable to you, until they give you the notice.

### ARE THE BENEFITS DIFFERENT FROM MY OLD PLAN?

No. Qualified beneficiaries must be offered benefits identical to those received immediately before qualifying for continuation coverage.

### HOW SOON DO I HAVE TO PAY?

The first payment must be made within 30-45 days after the date of the COBRA election.

### HOW SOON DO I HAVE TO ENROLL?

60 days from the date that the notice was sent to you.

### DOES MY COBRA PLAN HAVE TO COVER DENTAL AND VISION?

If those benefits were part of the original plan. If they are optional or "non core," you don't have to elect to get them.



**MY COBRA BENEFITS ARE ALMOST UP!**

Consider buying a new plan under HIPAA, or getting private health insurance.

**WHY IS COBRA SO EXPENSIVE?**

Because the insurers have to cover everyone meeting legal requirements, regardless of health.

**MY LEGALLY SEPARATED SPOUSE ENDED MY COVERAGE THROUGH HIS OR HER PLAN, CAN I ELECT COBRA?**

If you notify the plan administrator within 60 days of your divorce or separation.

**I AM SEPARATING FROM MY HUSBAND; DOES HE QUALIFY FOR COBRA COVERAGE?**

Your husband qualifies for coverage under COBRA if he can no longer be covered as your spouse. Typically most policies allow a spouse to qualify for continued coverage until the separation is sanctioned by the state. This means that the couple must first receive a judgment of separation from a state court. The mere separation of a married couple, even if following a written agreement filed with a court, is not a "legal separation". If your husband can still be covered as your spouse then he does not qualify for COBRA coverage. Employees planning to separate or divorce often terminate dependent coverage before receiving a judgment from the court. COBRA regulations resolve the problem by providing that a qualifying event will occur on the date of the judgment, even though the dependents were not covered at that time.



**MY SON TURNS 19 NEXT MONTH; DOES HE QUALIFY FOR COBRA COVERAGE?**

Your son qualifies for COBRA coverage if he can no longer be covered as your dependent. In many cases a dependent still in full time education can be covered as a dependent until he or she reaches the age of 23. If your son can still be covered as your dependent then he does not qualify for COBRA coverage. However, if he cannot be covered as your dependent then he does qualify for COBRA coverage and should notify the plan administrator.



**I AM MOVING OUT OF STATE. MUST I BE OFFERED A HMO PLAN IN MY OWN STATE?**

You are entitled to coverage only under plans that your employer offers to existing employees. If your employer offers only plans that provide benefits only in certain states and you are moving to another state then the employer does not have to set up a separate plan just for you. However, if the employer also offers a PPO that is valid across the country then he must also offer that plan to you.

**For more information, please e-mail us at [info@hrefile.com](mailto:info@hrefile.com) or visit us at [www.hrefile.com](http://www.hrefile.com).**



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