

COBRA and What It Means to You

Confused about COBRA regulations and what they mean for your company? Not sure your COBRA procedures are in Compliance? This is meant to be an overview only highlighting some of the more important aspects of COBRA. Do not use as your sole COBRA reference source as it falls well short of what all one needs to know!

General Information:

COBRA was signed into law April 7, 1986 and requires most employers sponsoring group health plans to allow Qualified Beneficiaries (QB) to continue coverage if coverage is lost due to Qualifying Event (QE). Group Health Plans can include Medical, Dental, and Vision coverage. Generally the coverage can be continued for a period of 18 months but there are situations when it can be extended to 29 and 36 months in cases of death, divorce and disability. Employers exempt from COBRA are employers with fewer than 20 full time employees and church organizations. State/Local governments are also exempt but are subject to parallel requirements under the Public Health Service Act.

Qualified Beneficiaries (QBs):

The term Qualified Beneficiaries refers to individuals who are covered under the employer's group health plan the day before a COBRA Qualifying Event takes place. These include covered employees, spouses and dependent children and even children born to or adopted by covered employees during COBRA continuation coverage.

Qualifying Events (QEs):

Qualifying Events that can trigger COBRA rights for QBs are as follows: Termination of employment, reduction of hours, death of employee, divorce or legal separation, dependent child ceasing to meet eligibility requirements, Medicare entitlement, Chapter 11 bankruptcy.

Notification Procedures:

Initial Notification: Many employers are not aware that an initial notification must be sent out to both the enrollee and spouse upon "the commencement of coverage." That means sending out a notice as soon as the employee and spouse are enrolled into the group health plan. This initial notification acquaints them with COBRA law, their notification obligations and their possible rights to COBRA coverage in the future.

Qualifying Event Notification: Without exception, PROPER notification at the time of the Qualifying Event is the most important function of compliance. This has been the central issue of hundreds of COBRA lawsuits. The Qualifying Event Notice informs each Qualified Beneficiary of their right to elect COBRA. The notice should be sent first class mail to the employee and spouse within 14 days of the Qualifying Event (documentation of mailing is recommended).

COBRA Time Frames and Premiums:

Once the latter of the qualifying event notice is sent out or the group coverage ends, Qualified Beneficiaries have up to 60 days to elect COBRA. Once QBs have decided to elect COBRA, they then have a 45 day grace period to pay all the retroactive premiums up to the loss of the coverage. Typically employers can charge participants up to 102% of the actual premium costs. Generally after the initial payment QBs must then pay for at least the monthly premium each month and the employer must give QBs a 30 day grace period before terminating coverage.

Source: "Atlantic Risk Management" March 2001