

# A Guide To COBRA Administration

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This guide is designed to assist you with information regarding the administration of COBRA with regard to the ABC COMPANY INCORPORATED and Employees. COBRA is administered by COBRAGuard, Inc. for this plan.

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## What is COBRA?

- COBRA is an acronym for the *Consolidated Omnibus Budget Reconciliation Act* of 1985.
- It allows certain employees and their dependents that would otherwise lose group coverage to temporarily continue coverage with the same plan.

COBRA participants are treated the same as active employees with respect to annual enrollment periods, rate adjustments and benefit changes. The primary purpose of COBRA is to provide continued health coverage.

*Note: Life insurance and disability benefits are not considered “medical care”; and COBRA does not cover plans that provide only life insurance or disability benefits.*

## What are the terms and conditions of COBRA?

- COBRA eligible members do not have to prove insurability.
- Each COBRA-eligible member can make an independent election on whether to continue benefits.
- COBRA-eligible individuals may continue coverage for 18, 24, 29 or 36 months.
- COBRA members must pay the full premium, which is 102 percent or 150 percent of the group premium.
- COBRA members are offered conversion coverage at the end of the continuation period.

## COBRA Premium Schedule

[www.findtheratesforyourgroup.com](http://www.findtheratesforyourgroup.com)

## Qualifying Events

Persons who are determined to be disabled by the Social Security Administration at the time of the COBRA qualifying event or within 60 days of the commencement of COBRA coverage are eligible for the disability extension. Non-disabled family members also qualify for the extension.

Employees on leave of absence (LOA) are not eligible for COBRA coverage because they are still employed and have the option to pay for coverage as an employee.

The table below shows the events that qualify a former employee for COBRA benefits.

**Table 1** COBRA Qualifying Events

Termination of employment (for reasons other than gross misconduct)	18 months
Reduction in hours	18 months
Enters active military service	24 months
Disability	29 months

### Qualifying COBRA Events for Spouses

When an active employee selects Medicare as his or her primary insurer, SHP coverage is canceled. If an employee elects Medicare as primary, covered dependents are eligible for 36 months of COBRA coverage (from the Medicare effective date).

The table below shows the COBRA events for spouses.

**Table 2** COBRA Events for Spouses

Divorce or legal separation from the employee or retiree	36 months
Employee chooses Medicare primary	36 months
Spouse enters active military service	36 months
Employee leaves employment or reduces hours and is also eligible for Medicare	36 months

### Qualifying Events for Dependent Children

Table shows the qualifying COBRA events for dependent children of employees.

**Table 3** Dependent Children Qualifying Events

Parent's divorce or legal separation	36 months
Employee chooses Medicare primary	36 months
Dependent child enters active military service	36 months
Child ceases to be an eligible dependent child	36 months
Employee leaves employment or reduces hours and is also eligible for Medicare	36 months

## Obligations for COBRA Notification

The following are obligations related to COBRA notification:

- Human Resource Manager or HBR must notify COBRAGuard of changes in employee status within 30 days.
- Employees must notify their Human Resource Manager or HBR of changes in their dependent's status within 60 days.
- COBRAGuard must notify COBRA-eligible members of their right to continue coverage within 14 days of receipt of notification.

## Employee COBRA Obligations

The following are obligations of the employee:

- After being notified, COBRA-eligible individuals have 60 days to elect COBRA coverage.
- After election is made, COBRA-eligible individuals have 45 days to make payment.

## Importance of Timely Notification

If today's date is 5-18-14 and we received notice of a cancellation to be effective 4-30-14:

- It takes us until 5-22-14 to notify the member of their right to continue coverage
- COBRA-eligible member has until 7-22-14 to make election

**Question:** In this example, how many months' premiums does the member owe?

**Answer:** Four months, May, June, July, and one month in advance, August.

## COBRA Billing

- When members elect and pay to continue coverage, they are enrolled and billed to a current date.
- Subsequently, COBRA members are billed on a monthly basis, 20 days prior to the period for which premiums are due.
- COBRA members can monitor their COBRA participation online at [www.mycobra.info](http://www.mycobra.info).
- Bank draft is available to COBRA members at the link above.

When the member is responsible for paying the entire amount due, bills are mailed to his or her home address.

## COBRA Notification

COBRAGuard notifies members of their scheduled expiration date of COBRA coverage on each invoice.

## **Cancellation of COBRA Coverage**

Cancellation of COBRA coverage occurs:

- At the end of the continuation period.
- If the member becomes covered by another group health plan without waiting periods or limitations.
- If the member becomes entitled to Medicare (actively enrolled in Part A or Part B).
- If the individual is no longer disabled.
- If fees are not paid.
- At the request of the participant.
- If the ABC COMPANY INCORPORATED no longer provides group coverage to its employees.

## **COBRA Resources on the Web**

The following Web resources are available for further information:

- U.S. Department of Labor – COBRA information website: [www.dol.gov/ebsa/cobra.html](http://www.dol.gov/ebsa/cobra.html)
- COBRAGuard COBRA member website: [www.mycobra.info](http://www.mycobra.info)