

Benefit Fact Sheet

Objective

To make continued group health care coverage available to employees and their eligible dependents when coverage is lost due to certain specific events.

Why offer it?

Federal law requires that employers with 20 or more employees offer continuation coverage to eligible employees and their dependents.

Who offers it?

Employers with 20 or more employees in the prior calendar year are required to provide COBRA coverage under their health care plans. This includes all private sector employers and those sponsored by local and state governments. The law does not apply to plans sponsored by the Federal government and certain church-related organizations.

Employers with fewer than 20 employees on a typical business day in the preceding calendar year are exempt. The typical business day standard is satisfied if the employer had fewer than 20 employees on at least 50% of its working days during the preceding calendar year. For this test, the entire calendar year is used even if the company begins operations sometime during the year. Full-time and part-time employees are counted. Partners and sole proprietors who provide services to the business are also counted.

What are the provisions of the law?

The Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) requires employers to provide continued coverage to employees and qualified beneficiaries in the case of certain qualifying events. Continuing coverage must be the same as that provided to other similarly situated employees covered under the plan for which a qualifying event has not taken place, and may not be conditioned on evidence of insurability.

What are qualifying events for employees and the length of coverage allowed?

- Termination of employment (18 months)
- Reduction in the number of work hours (18 months)

What are qualifying events for dependents and the length of coverage allowed?

- Termination of employee's employment (18 months)
- Reduction of work hours by the covered employee (18 months)
- Covered employee becoming entitled to Medicare (36 months)
- Divorce or legal separation (36 months)
- Death of the covered employee (36 months)
- Loss of dependent child status as defined under the plan rules (36 months)

What can an employer charge for COBRA coverage?

The amount charged cannot exceed 102% of the total premiums. For individuals on the 11-month disability extension, premium may be increased to 150% of the plan's total cost of coverage.

What are the employer responsibilities?

- Must provide an initial notice describing COBRA rights to employees and their families at the time coverage under the plan commences. The initial notice can be included in your SPD, but should be mailed to employees and their families. The notice should also include reasonable procedures for qualified beneficiaries to notify the plan of a qualifying event.

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- Must notify your administrator (if outsourcing to a COBRA administrator) within 30 days after an employee's qualifying event occurs.
- An employer or COBRA administrator must provide an election notice to the qualified beneficiary within 14 days of event notification.

What are the participant responsibilities?

- Must notify the plan administrator within 60 days of a qualifying event.
- Must elect to continue coverage within 60 days. This period is measured from the later date of the coverage loss date or the date the election notice is provided.
- Must remit initial premium no later than 45 days after election is made, in order to be reinstated onto health plans.
- Continue to make monthly premium payments by the end of each grace period.

Special Provisions in this Area

For more information on the COBRA notification and disclosure requirements, see:

<http://www.dol.gov/ebsa/regs/fedreg/final/2004011796.htm>

An insured in California who has exhausted continuation coverage under COBRA has the opportunity to continue coverage for an additional 18 months, up to a total of 36 months. For more information, see [AB 1401](#).

Informational link(s)

For a list of frequently asked questions about COBRA, refer to [COBRA FAQs](#). For your reference we offer the following sample notices. Please consult your benefits advisor.

- [Sample COBRA Initial Notification](#)
- [Sample COBRA General Election Notice](#)
- [Sample COBRA Reasonable Procedures](#)
- [Sample COBRA Notice of Unavailability](#)
- [Sample COBRA Early Termination Notice](#)
- [Sample COBRA Coverage Termination Notice](#)
- [Sample COBRA Grace Period Notice](#)
- [Sample COBRA HIPAA Certificate](#)
- [Sample COBRA Non-Sufficient Funds Notice](#)
- [Sample COBRA Notice of Conversion \(end of active plan eligibility\)](#)

This Fact Sheet is designed to provide a general overview of the benefit program, service, or regulatory act it describes. The information included in this document is not a substitute for legal or professional opinion relative to a plan sponsor's particular fact pattern. Your ArlenGroup consultant can answer more specific questions relative to its application for your organization. A menu of additional topics is available online at: www.arlengroup.com/facts.