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COBRA Facts

The Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA), a federal law, was passed by Congress in part to dramatically increase former employee and dependent access to group health benefits for extended periods. Group health insurance plans must provide certain employees and family members the option to continue health insurance (including dental and vision) at group rates after coverage would normally be lost. Evidence of insurability may not be required.

Coverage. All employers who normally employed 20 or more employees on at least 50 percent of its typical working days during the prior calendar year are covered by COBRA. Part-time employees are counted as fractional employees and leased employees are also counted as employees once they have been employed for 12 months.

Election of Coverage. Individuals provided insurance under the employer's group health plan are entitled to elect COBRA coverage upon the occurrence of a "qualifying event." Anyone who was a plan beneficiary the day before the qualifying event or any child who is born to or adopted by a covered employee during a period of COBRA continuation coverage, (e.g. employee, spouse, or dependent) may elect coverage.

COBRA coverage must be selected during an "election period." The election period is the 60-day period which begins on the later of (1) the date coverage terminates or (2) the date that the "election" notice is given to the qualified beneficiary.

Qualifying Events. COBRA's election provisions are triggered when a "qualifying event" results in a loss of coverage.

For a covered employee, a qualifying event may include:

- a reduction of hours
- the termination of employment (unless for gross misconduct)
- bankruptcy of the employer under title II of the Bankruptcy Code, but only with respect to retirees

For a covered spouse or dependent child, a qualifying event may include:

- the death of a covered employee
- the termination (unless for gross misconduct) or reduction of hours of a covered employee

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- a divorce or legal separation of the covered employee from the employee's spouse
- the covered employee becomes entitled to Medicare
- a child is no longer a dependent under the terms of the insurance plan
- bankruptcy of the employer under title 11 of the Bankruptcy Code (applies to retirees).

Notice Rules. Plan administrators are responsible for providing four types of COBRA notices:

- general notice
- qualifying event notice
- notice of unavailability
- termination notice



Participants are also required to notify the plan administrator of certain events. Descriptions of each type of notice and deadlines can be found at: <http://www.dol.gov/ebsa/publications/cobraemployer.html>

Coverage Period. Generally, if elected, coverage must extend from the date of the qualifying event. However, if a qualified beneficiary waives coverage but subsequently revokes the waiver within the 60 day election period, coverage may be extended from the date the waiver is revoked. The maximum COBRA coverage periods range between 18 months, due to an employee's termination or reduction of hours, and 36 months. Certain events may cut the maximum required COBRA period. For details, visit: <http://www.dol.gov/ebsa/publications/cobraemployer.html>

Premium Payments. Employers may require beneficiaries to pay up to 102% of the applicable total premium for the coverage elected. If coverage is extended beyond the original 18-month period for an eligible disabled person, up to 150 percent of the applicable premium may be charged for coverage in the 19th through 29th month of coverage if the disabled qualified beneficiary elects to extend coverage. Upon election, the plan must permit the beneficiary to pay for the interim coverage (between the qualifying event and the election) within 45 days of election. Beneficiaries may pay their premium monthly if they choose. Subsequent premium payments are timely if made within 30 days of the due date (or within the grace period if later). Insignificant premium shortfalls (defined as amounts no greater than the lesser of \$50 or 10% of the required payment) must be waived or the administrator must notify the participant of the deficiency and allow a reasonable time to pay the difference.

State Continuation & Conversion Laws – Applies to small employers

Georgia state law requires continuation of coverage under group health plans for 3 months if covered for 6 prior consecutive months and when qualifying event occurs event occurs. Applies to employers with 1-19 employees. http://www.oci.ga.gov/ConsumerService/FAQ_Health.aspx

North Carolina state law requires continuation of coverage under group health plans if covered for 3 prior consecutive months and when qualifying event occurs. Applies to employers with 1-19 employees. http://bit.ly/ncdoi_ContinuationCoverage

Virginia state law requires a group policy to contain one of two options: 12 months of continuation coverage under the current group policy rate or conversion to an individual policy. Applies to employers with 2-19 employees. http://1.usa.gov/scc_Virginia_ContinuationCoverage