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COBRA 101

What is COBRA?

No, its not just a deadly snake, the Consolidated Omnibus Budget Reconciliation Act or COBRA is a piece of legislation passed by Congress in 1986 designed to provide temporary continued health insurance benefits to employees and their families in situations where coverage might otherwise be terminated. Under COBRA certain “qualifying beneficiaries” who undergo a “qualifying event” are entitled to continued health insurance at their own expense for a period ranging from 18-36 months.

What Plans are Covered by COBRA?

COBRA applies to group health care plans for employers with 20 or more employees on more than 50% of its typical business days in the previous calendar year. Both full and part-time employees are counted in determining whether a plan is subject to COBRA with part-time employees counting as a fraction of an employee proportional to the amount of time the part-time employee works compared to a full time employee.

Who is Entitled to COBRA Benefits?

Employees covered by a group health plan, their spouses, and their dependants will generally qualify as beneficiaries under COBRA if they were covered by the plan on the day before a “qualifying event.” In certain circumstances retired employees, their spouses and dependants will also qualify for COBRA coverage. “Qualifying events” are specific events that would cause an individual to lose health coverage. For employees and their families “qualifying events” triggering COBRA coverage include; voluntary or involuntary termination of employment for any reason except for gross misconduct and a reduction in the number of hours worked. For an employee’s spouse and children, qualifying events may also include; the covered employee becoming entitled to medicare, divorce or legal separation of the covered employee, death of the covered employee, and loss of the dependant child status under the plan rules.

What Notices are Required?

When the qualifying event is termination of employment, a reduction in the number of employment hours, or the employee’s death, it is the duty of the Employer to notify the health plan administrators of the event within 30 days. If, on the other hand, when the qualifying event is divorce, legal separation, or a child’s loss of dependant status, the duty to notify the plan administrator is extended to 60 days and rests instead on the beneficiary. After receiving notice of the qualifying event the plan administrator must then send an election notice to the beneficiary within 14 days. Finally, the beneficiary then has a period of 60 days following later of the coverage loss date or the date of the COBRA election notice to decide whether to elect COBRA coverage.

What Benefits are Covered by COBRA?

Qualified Beneficiaries who elect COBRA coverage must be offered identical coverage as that available to similarly situated beneficiaries who are not receiving COBRA coverage under the plan. This coverage is typically the same as the coverage available to the beneficiary immediately before qualifying for continued coverage. Qualified beneficiaries must be allowed to make the same choices given to non-COBRA beneficiaries under the plan, such as during periods of open enrollment by the plan.

How Much Will COBRA Cost Me?

The actual amount a beneficiary will be required to pay for COBRA coverage will vary depending on the insurance plan and provider. The premium cannot however exceed 102% of the full cost of the coverage. Because an employer will typically pay all or a portion of the actual cost of the plan coverage for its employees, COBRA coverage will generally cost more than active employees are required to pay. However COBRA coverage is ordinarily less expensive than individual health coverage.

How Long Does COBRA Coverage Last?

When the qualifying event is a covered employee’s termination or reduction of work hours COBRA coverage will typically last for a maximum period of 18 months. For all other qualifying events, or a combination thereof, the maximum period of coverage is extended to 36 months.