

The rules for beginning COBRA

Both you and your former employer must follow proper procedure to initiate COBRA, or else you could forfeit your rights to coverage.

The employer must notify the health plan administrator within 30 days after an employee's "qualifying event" death, job termination, reduced hours of employment, or eligibility for Medicare.

In cases of divorce, legal marital separation, or a child's loss of dependent status, it is your or your family's responsibility to notify the health plan administrator within 60 days of the event.

Once notified, the plan administrator then has 14 days to alert you and your family members — in person or by first-class mail — about your right to elect COBRA. The IRS gets tough here: If the plan administrator fails to act, he or she can be held personally liable for a breach of duties. However, the plan administrator must have your correct mailing address. If you move, it is your (or your family's) responsibility to tell the health plan administrator.

You, your spouse, and children have 60 days to decide whether to buy COBRA. This election period is counted from the date your eligibility notification is sent to you, or the date that you lost your health coverage, or the date of the qualifying event, whichever is later. Your COBRA coverage will be retroactive to the date that you lost your benefits (as long as you pay the premium).

During the election period when you have to choose whether to buy COBRA, you might initially decide not to, which means you waive your right to coverage. However, as long as the election period hasn't expired, you can change your mind and revoke your waiver, and COBRA coverage would then start on the day the waiver was revoked. Bear in mind that if you visit a doctor during the period you initially waived COBRA, you will not be reimbursed for that claim even if you later decide to buy COBRA. In this case, COBRA is not retroactive to the date you lost your employer-sponsored plan.

Conversely, even if you enroll in COBRA on the last day that you are eligible, your coverage is retroactive to the date you lost your job, provided you pay all the retroactive premiums.

Other COBRA tidbits

- Premium payments. After you elect COBRA, you have to pay the first premium within 45 days. And that first premium is likely to be high because it covers the period retroactive to the date coverage ended through your employer. Successive payments are due according to health plan requirements, but COBRA rules allow for a 30-day grace period after each due date for payment.
- Short payment rule. If your COBRA payment is short by an "insignificant amount" — either 10 percent or \$50, whichever is the lesser of the two — an employer must accept the short payment as payment in full, or notify you of the deficiency and allow you another 30 days from the date that you receive the notification to correct the deficiency.

Separate vs. "bundled" health insurance plans

If your former employer offers separate health insurance plans (dental, medical, and vision, for example), you and each of your qualified family members may choose to continue any combination under COBRA.

However, if your employer sponsors one plan with multiple health insurance benefits, you must each elect all the benefits or nothing.

Health plans subject to COBRA are:

- Medical plans.
- Dental, vision, and prescription drug plans.
- Drug and alcohol treatment programs.
- Employee Assistance Plans, known as EAPs, that provide medical care such as counseling or psychological treatment.
- On-site health care, including discount or free medical services.
- Section 125 spending arrangements, also known as cafeteria plans, under certain circumstances.

Benefits not subject to COBRA are:

- Wellness programs.
- Life, disability, and long term care insurance plans, and medical savings accounts.
- EAPs that do not provide medical care.

- Extensions. Although COBRA sets specific time limits on coverage, there is nothing stopping the health plan from extending your benefits beyond the mandated coverage period.
- Notification rights. Because COBRA is a federal law, the U.S. Department of Labor (DOL) has jurisdiction over issues involving notification of COBRA coverage. Employers that fail to comply with the notification rules face fines of up to \$110 for every day that no notice is sent after the deadline. In addition, the IRS can assess an excise tax against any company that does not comply with COBRA regulations.
- New workers. Newly hired employees must be given an initial general notice about their COBRA rights.
- Plan description. COBRA information must be contained in the summary of the health plan description employees must receive when they are new to the plan.
- Switching plans. If your employer offers an open enrollment period to active employees and you're on COBRA, you must also be given the option to switch plans during that time. You may also add new dependents (a newborn, newly adopted child, or new spouse) if your employer offers this option to active employees.
- Conversion plans. If the health plan offers the option of converting from a group plan to an individual policy under COBRA, you must be given that option and allowed to convert within 180 days before COBRA ends. But you'll pay individual, not group, rates, and switching to individual coverage could weaken any HIPAA protections you have.
- Moving. If you relocate out of your COBRA health plan's coverage area, you will lose your COBRA benefits; the employer is not required to offer you a plan in your new area.
- Premium costs. Your premiums can be increased if the costs of the health plan increase for everyone at the workplace, but generally they must be fixed in advance of each 12-month cycle. The plan must also allow you to pay premiums on a monthly basis if you want. To offset the extra administrative costs of servicing a COBRA participant, the plan may charge up to an additional 2 percent of the normal group premium. So, if the monthly group health insurance premium — including both your contribution and your employer's contribution — was \$600, you could be charged up to \$612 each month.
- Premium notices. Neither the health plan nor the employer are required to send you monthly premium notices, so make sure you pay attention to due dates.
- Disability. People eligible for Social Security Disability benefits may receive COBRA coverage for 29 months.

**The preceding information comes from the website
<http://www.insure.com/articles/healthinsurance/cobra.html>**

WHAT IS THE CONTINUATION HEALTH LAW?

Congress passed the landmark Consolidated Omnibus Budget Reconciliation Act (COBRA){1} health benefit provisions in 1986. The law amends the Employee Retirement Income Security Act (ERISA), the Internal Revenue Code and the Public Health Service Act to provide continuation of group health coverage that otherwise would be terminated.

COBRA contains provisions giving certain former employees, retirees, spouses and dependent children the right to temporary continuation of health coverage at group rates. This coverage, however, is only available in specific instances. Group health coverage for COBRA participants is usually more expensive than health coverage for active employees, since usually the employer formerly paid a part of the premium. It is ordinarily less expensive, though, than individual health coverage.