

COBRA Quick Guide

FAQ



What is COBRA?

COBRA (Consolidated Omnibus Budget Reconciliation Act) requires most group health plans to offer continuation of coverage to employees and their covered family members who no longer qualify under their employer's group health plan benefits.

Under COBRA, a qualified beneficiary who loses group health plan coverage because of a qualifying event may elect to continue group health coverage for a limited time on a self-pay basis.

Which employers are subject to COBRA rules?

Most employer group health plans are subject to COBRA. A group health plan must provide medical care and be maintained by the employer.

Employers with more than 20 full-time equivalent (FTE) employees in the prior calendar year are subject to COBRA requirements.

Employer group health plans that are *not* subject to COBRA include:

- Small employer plans (with the exception of small employers who are obtaining benefits through an association plan that is subject to COBRA)
- Federal government's group health plan
- Certain church plans

What is considered a group health plan?

- Medical insurance, fully insured, and self-insured plans
- Dental insurance
- Most employee assistance plans (EAP)
- Some wellness programs
- Flexible spending account (FSA) plans
- Health reimbursement arrangement (HRA) plans

Plans that are not considered group health plans include:

- Life insurance
- Disability insurance
- Health saving accounts (HSAs)

Questions?

To learn more about COBRA coverage, please contact your PacificSource sales representative.

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Who is entitled to or eligible for COBRA?

A person who is eligible for COBRA is referred to as a “qualified beneficiary.” When people lose group health plan coverage due to a qualifying event, they must be offered COBRA within a specified time period. COBRA must be offered even if the qualified beneficiary has other coverage or Medicare entitlement.

A qualified beneficiary:

- Includes covered employees, spouses, and dependent children.
- Must be covered under the plan immediately before the qualifying event. (Generally, coverage must be in force the day before the qualifying event.)

A qualifying event (or triggering event):

- Voluntary or involuntary termination of employment
- Reduction of hours of the covered employee’s employment, resulting in a loss of benefit eligibility
- For spouses and/or dependent children:
 - Divorce or legal separation of the covered employee from the employee’s spouse
 - Death of the covered employee
 - Covered employee becomes entitled to Medicare (if a loss of coverage results)
 - Dependent child ceases to be an eligible dependent under the terms of the plan

Note: COBRA coverage is not required if an employee is terminated for “gross misconduct.” However, because gross misconduct is open to interpretation, caution is advised when using gross misconduct as a reason to deny COBRA continuation.

What are the employers’ required actions?

Employers are required to inform covered employees of COBRA through four types of notifications:

- *Initial notice:* Sent to the covered employee (and spouse) within 90 days of enrollment.
- *Election notice:* Sent to the qualified beneficiary with information regarding rights and obligations with reference to a specific qualifying event. Notices must be sent to the qualified beneficiary within 30 days of the qualifying event. (An additional 14 days is allowed if the employer uses a plan administrator.)
- *Termination notice:* Sent when the coverage ends before the end of the maximum coverage period.
- Facilitate other notices that are required by the Dept. of Labor.

How soon does a qualified beneficiary need to elect COBRA coverage?

Qualified beneficiaries have 60 days to elect coverage after the loss of the coverage date or after the election notice is provided to the qualified beneficiary by the plan administrator.

Who pays for COBRA?

Qualified beneficiaries who elect COBRA coverage are responsible for paying the cost of the coverage each month. The cost of coverage is the total monthly cost of the plan (both employer and employee portions), plus a 2% administrative fee.

How long does COBRA coverage last?

- For the termination of employment or reduction of hours (employees, spouses, and dependents), *COBRA coverage lasts 18 months.*
- If the loss of coverage is due to the employee’s death, a divorce, or loss of eligibility (spouses and dependents), *COBRA coverage lasts 36 months.*
- If any qualified beneficiary in the family unit is disabled at any time during the first 60 days after termination or reduction of hours, COBRA coverage includes a *disability extension of up to 29 months.*