

1.6: READ - COBRA Requirements and Benefits



Image: [Doctor](#). OpenClipArt via [File:Female_physician.svg](#) [Wikimedia Commons](#)

What is COBRA?

- The law requires certain group health plans to provide a temporary continuation of group health coverage that otherwise might be terminated. Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) is only available when coverage is lost due to certain specific events.
- Employers decide whether or not they will contribute to their employee's premiums under COBRA. Consumers may be responsible for the entire monthly premium by themselves, plus a 2 percent administrative fee. As a result, group health coverage for COBRA participants is usually more expensive than health coverage for active employees.
- The full premium for COBRA participants cannot exceed 102 percent of the cost of the plan for similarly situated individuals who have not incurred a qualifying event.

Who Qualifies for COBRA

- COBRA contains provisions giving certain former employees, retirees, spouses, former spouses, and dependent children the right to temporarily continue coverage under the employer's group health plan.
- If your client's employer is required to comply with COBRA, then your client is eligible for COBRA after just having one day of coverage as an active member on the group health plan.
- In combination with whether your client's employer is subject to COBRA, a COBRA “qualifying event” is what triggers a client's ability to exercise her or his COBRA rights.

COBRA Qualifying Events

- Death of the current employee
- An employee loses eligibility due to voluntary or involuntary termination or a reduction in hours as a result of resignation, discharge (except for “gross misconduct”), layoff, strike or lockout, medical leave, or slowdown in business operations
- An employee becomes entitled to Medicare and this results in a loss of plan coverage for the employee's dependents
- Divorce or legal separation that terminates the ex-spouse's eligibility for benefits
- A dependent child reaching the age at which she or he is no longer eligible for active coverage under the group plan (generally age 26)

How Long Can a Consumer Stay on COBRA?

- Consumers who experience a COBRA qualifying event can stay on the plan for a certain period of time, which varies depending on the situation.
- In most cases COBRA allows for extended coverage for up to 18 months.

Timelines to Apply for COBRA Coverage

- Upon experiencing a qualifying event, consumers have 60 days after receiving the election notice to decide whether to enroll in COBRA coverage. Consumers who choose to enroll in COBRA coverage have 45 days after making the election to pay the first month's premium.
- COBRA coverage can retroactively begin on the date consumers' job based insurance ended, as long as the election is made within the 60-day election period for COBRA coverage.

Table 16.1. COBRA Extension & Description

1. Disability: If the COBRA participant is deemed disabled by the Social Security Administration, then coverage may continue for up to an additional 11 months. Total length of COBRA coverage is 29 months.
2. Divorce and Death: A COBRA participant who experiences a divorce or death qualifying event is eligible for an 18-month extension. Total length of COBRA coverage is 36 months.
3. Medicare Eligibility(Special Rule for Dependents): If a covered employee becomes entitled to Medicare benefits (Part A or Part B) and later terminates employment or reduces hours, the period of COBRA coverage for the employee's spouse and dependent children lasts until the later of the 36-month period that begins on the date the covered employee became entitled to Medicare, or the 18- or 29-month period that begins on the date of the covered employee's termination of employment.
4. Second Qualifying Event: A spouse and dependent children who already have COBRA coverage, and then experience a second qualifying event, may be entitled to a total of 36 months of COBRA coverage.

Which Employers Need to Offer COBRA

1. Employers with 20 or more employees are usually required to offer COBRA coverage and to notify their employees of the availability of such coverage.
2. COBRA applies to plans sponsored by private-sector employers and sponsored by most state and local governments.
3. Many states have COBRA expansion programs (sometimes called “mini COBRA”) that extend similar coverage options to employees of firms with fewer than 20 employees. Check with your state Department of Insurance to see if this applies in your state.

What Benefits Must be Covered by COBRA?

Coverage must be identical to that available to similarly situated beneficiaries who are not receiving COBRA coverage under the plan (generally, the same coverage that the qualified beneficiary had immediately before qualifying for continuation coverage).

A change in the benefits under the plan for the active employees will also apply to qualified beneficiaries.

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.

COBRA Coverage and Eligibility for Marketplace Coverage

- Many individuals and families may have better and more affordable options in the Marketplace or through their spouse's employer.
- Consumers who are eligible for, but have not elected, COBRA coverage may still qualify for advance payments of the premium tax credit (APTC) or cost-sharing reductions (CSRs) through the Marketplace, if they are otherwise eligible.
- These consumers may be eligible for a special enrollment period (SEP) to enroll in a Marketplace plan if they lost their employer-sponsored coverage within the last 60 days, or will lose such coverage within the next 60 days.
- Direct your clients to the See Plans and Prices tool at [HealthCare.gov](https://www.healthcare.gov) to help them compare their COBRA coverage offer with Marketplace options.

Things to Consider When Deciding between COBRA and Marketplace Coverage

- Continuity of coverage
- Access to care/provider network Total cost (e.g., COBRA coverage including premiums, deductibles, and coinsurance)
- Quality of care
- Potential savings in the Marketplace

Can a Consumer Change from COBRA to a Marketplace Plan?

TimePeriod

- If COBRA is running out
- If consumer is ending COBRA early
- If COBRA costs change because the former employer stops contributions and consumer must pay full cost

During Open Enrollment

- Yes, consumer can change

Outside Open Enrollment

- Yes, consumer can change due to qualifying for an SEP
- No, consumer cannot change until the next Open Enrollment period, COBRA runs out, or if consumer qualifies for an SEP another way
- Yes, consumer can change due to qualifying for an SEP

This chapter includes text excerpted from “COBRA Overview and QSEHRA Assistance,” Centers for Medicare & Medicaid Services (CMS), February 1, 2018.

Download a printable copy below.

Source: Guide to Buying Health Insurance Sourcebook, **Publisher:** Omnigraphics, Inc. **Copyright:** © 2020 Omnigraphics

1.6: [READ - COBRA Requirements and Benefits](#) is shared under a [CC BY 4.0](#) license and was authored, remixed, and/or curated by Mabel Gehrett and Western Technical College.