What is COBRA?

The Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) requires most employers with group health plans to offer employees the opportunity to continue temporarily their group health care coverage under their employer's plan if their coverage otherwise would cease due to termination, layoff, or other change in employment status (referred to as "qualifying events").

What does COBRA do?

COBRA provides certain former employees, retirees, spouses, former spouses, and dependent children the right to temporary continuation of health coverage at group rates. This coverage, however, is only available when coverage is lost due to certain qualifying events. Group health coverage for COBRA participants is more expensive than health coverage for active employees, since the USG pays a part of the premium for active employees while COBRA participants generally pay the entire premium themselves. It is ordinarily less expensive, though, than individual health coverage.

What is a qualifying event?

The qualifying event requirement is satisfied if the event is (1) the death of a covered employee; (2) the termination (other than by reason of the employee's gross misconduct), or a reduction of hours, of a covered employee's employment; (3) the divorce or legal separation of a covered employee from the employee's spouse; (4) a covered employee becoming entitled to Medicare benefits under Title XVIII of the Social Security Act; or (5) a dependent child ceasing to be a dependent child of the covered employee under the generally applicable requirements of the plan and a loss of coverage occurs.

How long must COBRA continuation coverage be available to a qualified beneficiary?

- Up to 18 months for covered employees, as well as their covered spouses and their dependents, when workers otherwise would lose coverage because of a termination or reduction of hours.
- Up to 29 months is available to employees who are determined to have been disabled at any time during the first 60 days of COBRA coverage and applies as well to the disabled employee's nondisabled qualified beneficiaries.
- Up to 36 months for spouses and dependents facing a loss of employer-provided coverage due to an employee's death, a divorce or legal separation, or certain other "qualifying events".

Who is a qualified beneficiary?

Under the statute, a qualified beneficiary is someone who "is a beneficiary under the plan" (i.e., is covered under the plan) immediately prior to the qualifying event and who is:

- The covered spouse or covered dependent child of a covered employee.
- A covered employee, but only if the qualifying event is a termination or reduction in hours of the covered employee's employment.

What is the definition of dependent child?

COBRA does not define "dependent child." Who is a dependent child is determined by the terms of our group health plans.
Can a qualifying event result from a voluntary termination of employment?

Yes. Apart from gross misconduct, the facts surrounding a termination or reduction of hours are irrelevant. It does not matter whether the employee voluntarily terminated or was discharged.

What triggers the obligation to offer COBRA coverage?

COBRA requires employers to offer a COBRA election to qualified beneficiaries when there is: (1) a triggering event; and (2) the triggering event causes (or will cause) a loss in plan coverage that occurs within the maximum coverage period for that event. When both elements (1) and (2) exist, there is a COBRA "qualifying event." A COBRA "qualifying event" is a specified triggering event, "which, but for the continuation coverage required (by COBRA), would result in the loss of coverage of a qualified beneficiary." An event is a qualifying event if it (a) is one of the specified events ("triggering events"), (b) causes the covered employee, spouse or dependent child to lose coverage and (c) occurs while the plan is covered by COBRA. If a qualified beneficiary experiences a triggering event, but there is no loss in coverage attributable to the triggering event, there is no qualifying event and COBRA coverage does not need to be offered.

What specific events ("triggering events") can be qualifying events?

The statute specifies six triggering events that, if they result in a loss of coverage, can be qualifying events:

- Death of the covered employee;
- Voluntary or involuntary termination of the covered employee's employment other than by reason of gross misconduct (note that a retirement is considered a termination of employment);
- Reduction in hours of the covered employee's employment;
- Divorce or legal separation of the covered employee from the employee's spouse;
- Dependent child ceasing to be a dependent child under the generally applicable requirements of the plan; and
- An employer's bankruptcy, but only with respect to health coverage for retirees and their families.

What events are not considered triggering events?

If an employer terminates a group health plan or amends it to reduce coverage, neither the termination nor the amendment is a qualifying event. The following events are not considered triggering events:

- A change in insurance carriers. Replacement of one insured health plan with a less generous plan is not a qualified event.
- Tendering a resignation. Only when an employee actually terminates does a qualifying event occur.
- Filing for divorce. The entry of the decree is the triggering event; however, if legal separation precedes the divorce and results in a loss of coverage, then the legal separation will become the triggering event.
- Employee drops coverage for spouse or dependents.
- Employee's resignation from Union.
- Termination of Employment After Insurer Cancels Group Health Plan.
What is the qualifying event notice regarding COBRA?

Upon the occurrence of a qualifying event the plan administrator must send a qualifying event notice to each qualified beneficiary advising them of their rights under COBRA and offers them the right to elect COBRA.

When must the employee or qualified beneficiary notify the plan administrator of any triggering events?

The covered employee or qualified beneficiary must notify the plan administrator within 60 days of the occurrence of these triggering events:

- divorce or legal separation of covered employee from his or her spouse; and
- dependent child ceasing to be a dependent under the plan.

Within what time period does the qualified beneficiary have the option of electing COBRA?

A qualified beneficiary may elect COBRA coverage at any time within 60 days after the date plan coverage terminates, or, if later 60 days after the date of the notice to the qualified beneficiary from the plan administrator. The 60-day period permits a qualified beneficiary to "adopt a wait-and-see approach to continued coverage, and then elect if and when medical care is required during the election period. If the plan administrator has not sent the notice of qualifying event, the election period remains open.

Does each qualified beneficiary have independent election rights under COBRA?

Yes. COBRA requires that "each" qualified beneficiary be entitled to elect COBRA coverage.

If I elect COBRA, how much do I pay?

When you were an active employee, The USO paid a large portion of your group health premiums. Under COBRA, you will pay the entire premium amount, that is, the portion of the premium that you paid as an active employee and the amount of the contribution made by USO. In addition, there is a 2 percent administrative fee.

While COBRA rates may seem high, you will be paying group premium rates, which are usually lower than individual rates.

You should also be aware that it is your responsibility to pay for COBRA coverage even if you do not receive a monthly statement.