



THE COMPLETE EMPLOYER'S GUIDE TO COBRA

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The Complete Employer's Guide to COBRA

COBRA administration is an important part of any HR professional's job. HR teams need to be familiar with not only the rules and regulations related to COBRA administration but also the processes and procedures related to timelines and COBRA enrollment.

Though COBRA can be quite complex, we've got everything you need to know about this benefits requirement. This guide will address several common COBRA FAQs and provide resources for additional COBRA information.

1. What is "COBRA"?

"COBRA" is an acronym for the **Consolidated Omnibus Budget Reconciliation Act**. Passed in 1985, this federal legislation requires employers with 20 or more employees who offer health care benefits to also offer the option of continuing coverage to individuals who would otherwise lose benefits due to employment termination, reduction in hours, or certain other qualifying events (discussed below).

2. What does COBRA do?

COBRA **requires the continuation of health benefits coverage to be offered** by qualifying employers to employees, their spouses and dependent children when group health coverage would otherwise be discontinued based on qualifying events.

3. Which employers are required to provide COBRA benefits?

Employers with **20 or more employees** are required to offer COBRA benefits.

4. What group health plans are subject to COBRA?

The legislation applies to **any and all group health plans offered by private-sector employers with 20 or more employees**. COBRA benefits also extend to health plans offered through state or local governments.

5. What group health plans are not subject to COBRA?

COBRA benefits do not extend to group plans offered through federal government organizations, churches and certain church-related organizations.

6. Who is entitled to receive COBRA coverage?

As long as a qualifying event has taken place, anyone enrolled in an employee's group health plan is eligible for COBRA coverage. This includes the employee and qualified beneficiaries, including spouses and dependents.

7. What is a qualified beneficiary?

A qualified beneficiary is an individual covered by a company's group health plan on the day before a qualifying event takes place. This person must either be an employee, the employee's spouse, or the employee's dependent child.

8. What is a COBRA "qualifying event"?

Several events can trigger COBRA qualification for an employee, a spouse, or a dependent. These qualifying events include:

Qualifying Events For An Employee

- An employee's voluntary or involuntary discontinuance of employment. [*Note: there is an exception for gross misconduct that invalidates COBRA requirements - see info below for details.]
- An employee's reduction in hours of employment (For example: from full-time to part-time)

Qualifying Events For Spouses

- An employee's voluntary or involuntary discontinuance of employment.
- An employee's death
- A covered spouse's divorce or legal separation from an employee
- An employee's reduction in hours of employment (For example: from full-time to part-time)
- An employee's entitlement to Medicare

Qualifying Events For Dependent Children

- An employee's voluntary or involuntary discontinuance of employment.
- A covered dependent's change in status (For Example: when a child dependent ages out of required health coverage provided by an employer)
- An employee's death
- A covered spouse's divorce or legal separation from an employee

- An employee's reduction in hours of employment (For example: from full-time to part-time)
- An employee's entitlement to Medicare

Please note that voluntarily dropping coverage during an open enrollment period is not a qualifying event, though doing so in conjunction with a qualifying event, like a divorce, would trigger COBRA rights for impacted parties (*Note: in this case, the spouse).

9. What benefits must be covered under COBRA?

When an employee elects COBRA coverage, **nothing about the existing health coverage plan can change.**

Coverage that must be included in COBRA plans includes:

- Health care plans
- Dental plans
- Vision plans
- Hearing plans
- Medical spending accounts
- Prescription drug plans
- Mental health plans
- Alcohol and substance abuse plans

Coverage limits, deductible amounts, and co-pay amounts will remain unchanged.

10. What benefits are not covered under COBRA?

Several non-health related insurance plans or other employee benefits are not covered by COBRA. These include:

- Life insurance
- Retirement plans
- Disability insurance
- Vacation plans



When an employee elects COBRA coverage, nothing about the existing health coverage plan can change.

11. What “misconduct” events nullify COBRA coverage requirements?

Though COBRA does not define misconduct, there is a general outline of actions that would fall under this category:

- A connection must exist between the offense committed and the employee’s job.
- The employee must be able to fully understand the magnitude of the offense.
- The misconduct must be willful.
- If the employee in question decides to contest the allegations, this may result in a federal case to determine the outcome.
- Consider the cost of going to court versus the cost of providing COBRA coverage when deciding whether or not to pursue litigation.

12. How long does an employee have to elect COBRA coverage?

If an employee qualifies for COBRA coverage, the employee must be given a period of at least **60 days** to choose whether or not to elect continuous coverage. This window begins either on the date that election notice is given or on the date that group insurance coverage would be eliminated, whichever comes first.

13. Can an employee enroll in COBRA coverage during the election period after initially declining coverage?

Yes.

If an employee waives COBRA coverage during the initial election period, an employer must permit the former employee to revoke the waiver and enroll in COBRA coverage as long as it takes place during the election window. At that point, the insurance plan only needs to provide coverage beginning on the date that the waiver is revoked.

14. Who pays for COBRA coverage?

Typically, **the employee will cover the full cost of the insurance premiums.**

Though many employers offer full or partial health benefits coverage as an employee benefit, this is not required by COBRA after employment has ended.

Rather, the employee is responsible for covering 100% of the cost of the insurance. The total cost of the insurance, however, must be made available at your company’s group insurance rate.

State laws allow the employer to charge 102% of the insurance premium and to keep the additional 2% to cover the internal benefits administration costs.

In the case of certain qualifying COBRA events that provide extended coverage, such as loss of employment or hours due to disability, the employer can charge 150% of the insurance premium for months 18 through 29.

15. How much does COBRA cost?

There is no set cost for COBRA coverage. The employee is responsible for 100% of the cost of their group insurance plan. The employer is not required to cover any portion of the health insurance plan. Therefore, the cost will vary based on the specific plan and benefits offered. Also, keep in mind that the insurance pricing must match what is available through your organization’s existing group plan(s).

16. Can an employee lose COBRA coverage?

Yes.

COBRA coverage can be canceled for several reasons:

- The employee does not pay the insurance premiums in full or in a timely manner.
- The employer ceases to offer any type of group health coverage plans.
- A qualified beneficiary begins coverage under another group health plan.
- A qualified beneficiary becomes enrolled in Medicare benefits.
- A qualified beneficiary engages in “misconduct” that would justify termination of coverage.



Typically, the employee will cover the full cost of the insurance premiums.

17. Can an employee extend COBRA coverage?

Yes — In some cases.

Though every COBRA recipient is not eligible for an extension, coverage may be extended pending certain requirements. Recipients considered “healthy” cannot extend COBRA benefits, though recipients that are legally disabled or who meet other specific requirements may qualify for an 18-month extension.

18. When does COBRA coverage begin?

An employee is eligible for COBRA benefits the day that an employer group health plan ends because of a qualifying event.

19. How long does COBRA coverage last?

There is **no set duration** for COBRA coverage. Benefit coverage can vary from as little as 18 months to up to 36 months after the date of the qualifying event depending on the beneficiary and the type of qualifying event.

- 18 months is the standard coverage window for general employment termination or reduction in employee hours.
- 36 months is the standard coverage window for any qualifying events outside of general termination of employment or reduction in employee hours. This could include permanent disability, divorce, or death.

20. What is the federal government’s role in COBRA?

COBRA coverage laws are administered and regulated by the following agencies:

- Department of Labor - private-sector group plans
- Treasury - private-sector group plans
- Department of Health and Human Services - state and local government health plans

COBRA administration is up to the individual employer to maintain and manage.

You can find more information about COBRA and these agencies using the following links:

[Department of Labor](#)

[Department of Health and Human Services](#)

21. How does an employee sign up for COBRA?

An employer must provide a qualifying employee a COBRA election notice within 45 days of the qualifying event. Plans offered through COBRA must be identical to the current health plans offered by an organization. Employees will have a 60-day election period to review the COBRA notice and provide a response.

22. Is an employee required to accept COBRA benefits?

No.

An employee is free to decline COBRA coverage for any reason. Keep in mind that an employee is still allowed to elect COBRA coverage after an initial decline of coverage if they change their mind within the allotted coverage enrollment window.

COBRA administration is a **core requirement** for any organization that employs more than 20 individuals and that currently offers group health benefits. Though manually managing COBRA administration is quite possible, partnering with a premium benefits administration provider can streamline this process.

23. What does my company need to do if an employee wants COBRA coverage?

If an employee opts for COBRA coverage, you need to provide the employee with contact information for your health insurance provider. The employee will work directly with your provider to sign up for qualifying coverage. The employee will then have a set period of time, referred to as an election period, to sign up for coverage. If they do not meet the requirements during this period of time they may be dropped from coverage.

24. How do I communicate COBRA requirements to employees?

Employers are required to provide employees covered by group health plans certain notices explaining their COBRA rights. COBRA rights must be described in a group health plan summary, which should be given within 90 days of opting in for coverage. Additionally, you must give each employee and spouse who becomes covered under your group health plan general notice describing COBRA rights within the first 90 days of coverage.

Before coverage continuation is offered, a qualifying event must happen, and that event must be communicated to the group health provider. Who communicates the qualifying event notice depends on the event that takes place. You, the employer, are required to provide notice if the qualifying event is related to a reduction in hours, Medicare entitlement, death, or bankruptcy of a private-sector employee. This must be communicated within 30 days of the event. The employee must communicate a qualifying event related to divorce, legal separation, or a child's loss of dependent status.

25. Can I outsource COBRA administration?

Yes.

COBRA administration can easily be outsourced to a third party. We recommend partnering with a trusted company in the benefits administration space that has specific experience with the requirements and intricacies of COBRA.

PlanSource offers a complete [COBRA administration service](#) that includes everything from COBRA communications and enrollment to payment processing and enrollee support.

DON'T WANT TO DEAL WITH COBRA?

We don't blame you!

Schedule your complimentary COBRA consultation for a full walk-through of our full-service administration COBRA administration. See how much time and money you can save with PlanSource!

Talk to an Expert!