

COBRA OVERVIEW

NOTICES AND RESPONSES

Notice/Response Type	Time Frame
Employer initial notice of COBRA rights to employee. If family coverage, separate notice to employee and spouse is required.	90 days after effective date of coverage.
Employer second notice of COBRA rights to employee.	Included or provided with Summary Plan Description.
Employer notice to qualified beneficiary of right to elect COBRA. If family coverage, separate notice to employee and spouse is required.	44 days (30 days employer to plan administrator and 14 days plan administrator to qualified beneficiary) from date of event or notice by employee.
Employer notice of premium changes.	Prior to effective date of premium change. Allowed once per pre-set, 12-month period only.
Employer notice of unavailability of COBRA.	44 days (30 days employer to plan administrator and 14 days plan administrator to qualified beneficiary) from date of event or notice by employee.
Employer notice of COBRA termination prior to the maximum period.	As soon as reasonably possible following determination that COBRA will terminate.
Qualified beneficiary notice to employer of: <ol style="list-style-type: none"> 1. Divorce, legal separation, annulment or dissolution of marriage; or 2. A child no longer meeting the definition of dependent. 	60 days from date of event.
Qualified beneficiary's time to elect COBRA.	60 days from the later of the date coverage is lost or the date notice of COBRA right and election form are sent.
Qualified beneficiary's payment of initial premium. Initial premium includes all premiums due up to the time of payment.	45 days from the date COBRA election is made.
Qualified beneficiary's payment of subsequent premiums.	30 days from date premium is due. If payment is not significantly less than the premium due, it must be considered payment in full unless notice of the amount due is sent and a grace period of 30 days from the notice date is provided to make payment.
Qualified beneficiary notice to employer of total disability certification by Social Security.	60 days from date of TD determination and within initial 18 months of COBRA.
Qualified beneficiary notice to employer that they are no longer totally disabled.	30 days from date no longer TD.

QUALIFYING EVENTS

Qualifying Event	Maximum COBRA Period
A reduction in the employee's hours of employment.	18 months.
The termination of the employee's employment (for reasons other than gross misconduct on the employee's part).	18 months.
The death of the employee.	36 months.
The end of the employee's marriage due to dissolution, annulment, divorce or legal separation.	36 months.
The employee becoming entitled to Medicare (covered under either or both Part A and Part B of Medicare).	36 months.
For a child, that child ceasing to be considered a dependent as defined in the plan.	36 months.
Determination of disability under the Social Security Act within the first 60 days of COBRA and prior to the end of the initial 18-month period. Each individual has a separate right to the 11-month extension, even if the disabled person does not remain covered.	29 months (original 18 + 11 month extension).
Second qualifying event during initial 18 months of COBRA.	36 months from the original event.
In the case of a retired employee only, the employer terminating or substantially eliminating retiree coverage, if provided within one year before or after filing Chapter 11 bankruptcy.	Lifetime of the retiree.
<p>NOTE: Qualifying event includes events that do not result in a loss of coverage, but do result in an increase in premium, and events that occur after termination, if coverage was terminated in anticipation of the event.</p>	

TERMINATION

Reasons for Termination Prior to Maximum Period	Date of Termination
The employer no longer provides a group benefit plan.	Date of event.
Failure to pay monthly premium within 30-day grace period. If payment is not significantly less than the premium due, it must be considered payment in full unless notice of the amount due is sent and a grace period of 30 days from the notice date is provided to make payment.	Date last premium paid through.

Reasons for Termination Prior to Maximum Period	Date of Termination
Obtaining other coverage, after the date COBRA is elected, that does not have a pre-existing limit that applies.	Date other coverage obtained or date pre-existing limit no longer applies.
Medicare Entitlement, after the date COBRA is elected (covered under either or both Part A and Part B of Medicare).	Date covered by Medicare.
Final determination under the Social Security Act that disability no longer exists.	First of the month following 30 days.

IRS REVENUE RULING 96-8, REGARDING COBRA PREMIUMS

This ruling clarifies how individual and family rates are to be applied to COBRA premiums:

1. Employee and spouse elect COBRA, family rate can be charged.
2. Employee and child or spouse and child elect COBRA, family rate can be charged.
3. Employee only, spouse only, or child only elect COBRA, single rate must be charged.

The ruling clarifies that family rates cannot be charged for COBRA unless two or more people from the family elect COBRA.

CALCULATION OF COBRA PREMIUM

The IRS provides two acceptable methods for calculating the COBRA premium for a self funded plan:

1. Use of an actuarially sound model to make a reasonable estimate of the expected cost to similarly situated active employees. The model should account for changes in covered lives, excess claims, inflation rates and other variables that will impact claim costs. NOTE: Use of maximum cost figures is not acceptable.
2. Use of the prior years COBRA premium adjusted by the implicit price deflator for the GNP as of the sixth month of the prior year.

A 2% administrative surcharge may be added to the premium rate.