

**COBRA**

**Consolidated Omnibus Budget Reconciliation Act**

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**WHAT IS COBRA?**

- A law to protect employees and their families if employer sponsored health benefits are lost.
- Passed in 1986
- Requires continuation coverage to be offered to covered employees, spouses, former spouses and dependent children when group health coverage would otherwise be lost due to certain specific events.

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**PLAN COVERAGE**

- All state and local governments are subject to COBRA

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**QUALIFYING EVENTS**

For Covered Employees:

- Termination of employment
- Reduction in the number of hours

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**QUALIFYING EVENTS (CONT.)**

For Spouses:

- Termination of covered employee's employment
- Reduction in hours worked by covered employee
- Covered employee's becoming entitled to Medicare
- Divorce or legal separation of spouse
- Death of covered employee

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**QUALIFYING EVENTS (CONT.)**

For Dependents:

- Loss of dependent child status under plan rules
- Termination of employee's employment
- Reduction in hours worked by employee
- Employee's becoming entitled to Medicare
- Divorce or legal separation of spouse
- Death of the covered employee.

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### HOW LONG DOES COBRA COVERAGE LAST?

- Depending upon the type of event and who the beneficiary is
- termination of employment or reduction in hours – 18 months for the employee and any covered dependents
  - an individual previously entitled to 18 months of coverage who is determined to be disabled – 29 months of coverage
  - in the case of an individual previously entitled to 18 months of coverage who experiences a second qualifying event – 36 months of coverage
  - in the case of qualifying events for reasons other than termination of employment or reduction in hours – 36 months of coverage

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### COBRA COMMUNICATION DUTIES

Include

- Employer Notification to covered employees and covered spouses of their initial rights under COBRA when they first join the plan.
- Employer Notification to covered persons of their election rights to continue coverage after a qualifying event occurs. (*COBRA election notice needs include health exchange information.*)

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### COBRA COMMUNICATION DUTIES (CONT.)

- Employer Notification within 30 days to the plan administrator (usually the insurance company) when a loss occurs for reason listed above
  - for divorce and change of status by a dependent notice must be made to the administrator within 60 days.
- The administrator has 14 days after notice notify the person who is entitled to COBRA coverage.
- The employee has 60 days to notify you that he or she wants coverage.

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### WHO PAYS FOR COBRA COVERAGE?

- The employee generally pays the full cost of the insurance premiums.
  - employer may charge 102 percent of the premium,
- Timing of payments is important. COBRA coverage can be terminated if premium payments are late. (within 30 days of due date)
- Process is complicated because the employer has to pay in advance for the coverage under the policy, but the law states that you have to give COBRA insureds a 30-day grace period from the time the payment is **due**.

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### QUESTIONS?

More information:

US Department of Labor

<http://www.dol.gov/dol/topic/health-plans/cobra.htm>

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