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Center Pointe Job Search Ministry  
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## **Health Coverage Upon Termination of Employment**

COBRA provides qualifying terminated employees and their legal dependents (referred to as “qualifying beneficiaries”) eligibility for up to 18 months of continuation coverage. COBRA continuation only applies to group health plans (medical, dental and possibly health flexible spending accounts). COBRA applies to a health flexible spending account (FSA) when the premiums due for the remainder of the FSA plan year are less than the benefit that could be received during the remainder of the plan year. COBRA must be offered for the remainder of that FSA plan year only (that is the normal 18 month COBRA period for terminations of employment does not apply).

Employers with less than 20 employees over 50% of their business days and governmental plans are not subject to COBRA. Governmental plans, however, have parallel requirements under the Public Health Service Act.

### COBRA Eligibility

- To qualify for COBRA coverage the qualified beneficiary must have been covered under the applicable health plan the day before the employee's termination of employment.
- The termination must not be due to gross misconduct (gross misconduct is not defined in the COBRA regulations).
- Employers are not required to offer COBRA coverage to domestic partners and their children even if they were covered under the plan prior to the employee's termination.
  - This rule applies even if state law recognizes the domestic partner as the employee's spouse.
  - The employer can choose to offer coverage to domestic partners and their children if provided in their plan documents.

### Electing COBRA Coverage

- Plans may condition the availability of COBRA coverage on the qualifying beneficiary making a timely election.
- All qualifying beneficiaries are entitled to make separate elections.
- For terminations of employment the COBRA election period begins on the date of the termination of coverage and ends upon the later of 60 days after the date of termination or 60 days after the COBRA notice is provided.
- A COBRA election is considered made on the date it is postmarked.
- A plan is not required to process claims incurred after termination of employment until such time as the COBRA election is made and premiums are paid.
- Once elected COBRA coverage will be retroactive to the date active coverage was lost (unless COBRA coverage was initially waived and the waiver is subsequently revoked).

### Paying for COBRA Coverage

- Group health plans may charge up to 102% of the applicable premium (this includes both the employee and employer portion of the active employee premium plus a 2% administration fee).
- Employees who are involuntarily terminated between September 1, 2008 and December 31, 2009 and their COBRA eligible dependents may qualify for a federal subsidy that will pay 65% of their COBRA premium for up to nine months.
  - To qualify for the subsidy the qualified beneficiary cannot be eligible for other group coverage (such as through a spouse's plan). This is different than the COBRA eligibility requirements as you remain eligible for COBRA if you have other group coverage available and choose not to elect it.
- Once COBRA coverage is elected the qualifying beneficiary has 45 days to make the first payment which includes past due amounts.
- All future payments are due on the first of the month for which coverage is provided but a 30 day grace period applies.

### Termination of COBRA Coverage

COBRA coverage will terminate upon the earlier of:

- The end of the maximum coverage period (18 months for a termination of employment unless extended due to disability or a secondary qualifying event).
- The date the employer ceases to provide any group health plan to any employee.
- The failure to make timely payment of COBRA premiums.
- The date the qualified beneficiary first becomes covered under another group health plan that meets certain requirements.
- Medicare entitlement provided the qualified beneficiary first becomes entitled to Medicare after the date COBRA is elected.
  - A qualified beneficiary is considered entitled to Medicare upon the effective date of enrollment in either Part A or Part B Medicare benefits.

### Alternatives to COBRA Coverage

- Coverage through your spouse's employer. You must make a qualifying life event election with that employer within 30 days of the date coverage is lost through your employer. Note that plans are not required to recognize life events so this may not be an option available to everyone.
- Individual plan coverage which can be obtained by contacting a broker such as Horan or USI for assistance or logging onto a site such as HealthCare for One at [www.hcfor1.com](http://www.hcfor1.com). If you or a dependent have chronic health conditions an individual plan may not be an option.
  - **If you or a dependent have a pre-existing condition** please be aware that a new employer plan cannot exclude coverage for pre-existing conditions unless you have had a 63-day or greater break in coverage. The break begins with the first day you are without coverage and is considered to have ended as of the first day of any waiting period for your new coverage. For example, if you are hired as a full-time employee eligible for health coverage on July 15<sup>th</sup> and elect health coverage, but that coverage is not effective until September 1<sup>st</sup> under the rules of the new employer's plan, that plan would look back from your date of hire (not the September 1<sup>st</sup> effective date of coverage) to determine if you had a 63 day break in coverage.
- If you belong to any association or alumni groups check to see what types of coverage they may have available.

If you have any specific questions about COBRA, including the periods of coverage for other types of qualifying events (marriage, divorce, death, disability, etc.) please contact me at [www.linkedin.com/in/loriekravetsky](http://www.linkedin.com/in/loriekravetsky) or [loriek@hotmail.com](mailto:loriek@hotmail.com).