

# NC Family to Family Health Information Center

*"A beacon for families of children with special health care needs."*

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Fact Sheet

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## Health Consumer Rights and Related Laws COBRA

**The Consolidated Omnibus Budget Reconciliation Act (COBRA)** was passed in 1986 to help workers and their families keep their group health coverage during times of voluntary or involuntary job loss, reduction in the hours worked, transition between jobs and in certain other cases.

The law gives workers who lose their health benefits the right to choose to continue group health benefits provided by the plan under certain circumstances.

COBRA generally requires that group health plans sponsored by employers with 20 or more employees in the prior year offer employees and their families the opportunity for a temporary extension of health coverage (called **continuation coverage**) in certain instances where coverage under the plan would otherwise end.

For those employers with 20 or more employees in the prior year, the law generally covers the group health plans they maintain. It applies to plans in the private sector and those sponsored by state and local governments. Provisions of COBRA covering state and local government plans are administered by the Department of Health and Human Services.

Several events that can cause workers and their family members to lose group health coverage may result in the right to COBRA coverage. These include:

- Voluntary or involuntary termination of the covered employee's employment for reasons other than gross misconduct.
- Reduced hours of work for the covered employee.
- Covered employee becoming entitled to Medicare.
- Divorce or legal separation of a covered employee.
- Death of a covered employee.
- Loss of status as a dependent child under the plan rules.

Under COBRA, the employee or family member may qualify to keep their group health plan benefits for a set period of time, depending on the reason for losing the health coverage. See the table for information on continuation coverage:

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# Health Consumer Rights and Related Laws

## COBRA

| <u>Qualified Beneficiary</u> | <u>Qualifying Event</u>   | <u>Period of Coverage</u> |
|------------------------------|---------------------------|---------------------------|
| Employee                     | Termination               | 18 Months                 |
| Spouse                       | Reduced Hours             |                           |
| Dependent Child              |                           |                           |
| Spouse                       | Entitled to Medicare      | 36 Months                 |
| Dependent Child              | Divorce/Legal Separation  |                           |
|                              | Death of Covered Employee |                           |

This 18-month period may be extended to 29 months if a beneficiary is deemed disabled by the Social Security Administration. However, COBRA also provides that your continuation coverage may be cut short in certain cases.

### Notification Requirements

An initial notice must be furnished to covered employees and spouses, at the time coverage under the plan commences, informing them of their rights under COBRA and describing provisions of the law. COBRA information also is required to be contained in the plan's summary plan description (SPD).

When the plan administrator is notified that a qualifying event has occurred, it must in turn notify each qualified beneficiary of the right to choose continuation coverage.

COBRA allows at least 60 days from the date the election notice is provided to inform the plan administrator that the qualified beneficiary wants to elect the continuation coverage.

Under COBRA, the covered employee or a family member has the responsibility to inform the plan administrator of a divorce, legal separation, disability or a child losing dependent status under the plan.

Employers have a responsibility to notify the plan administrator of the employee's death, termination of employment or reduction in hours, or Medicare entitlement.

If covered individuals change their marital status, or their spouses have changed addresses, they should notify the plan administrator.

### Premium Payments

Qualified individuals may be required to pay the entire premium for coverage up to 102% of the cost of the plan. Premiums may be higher (up to 150%) for persons exercising the disability provisions of COBRA. Failure to make timely payments may result in loss of coverage.

### For More Information

To learn more about COBRA, contact the U.S. Department of Labor at [www.dol.gov/ebsa](http://www.dol.gov/ebsa) or at 1-866-444-3272.