

# Fact Sheet



U.S. Department of Labor  
Employee Benefits Security Administration

## Consolidated Omnibus Budget Reconciliation Act (COBRA)

Throughout a career, workers will face multiple life events, job changes or even job losses. A law enacted in 1986 helps 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 — the Consolidated Omnibus Budget Reconciliation Act (COBRA) — 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.
- ◆ The law generally covers group health plans maintained by employers with 20 or more employees in the prior year. 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; or
  - loss of status as a “dependent child” under 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. The following represents some basic information on periods of continuation coverage:

<u>Qualified Beneficiary</u>	<u>Qualifying Event</u>	<u>Period of Coverage</u>
Employee Spouse Dependent child	Termination Reduced hours	18 months *
Spouse Dependent child	Employee entitled to Medicare Divorce or legal separation Death of covered employee	36 months
Dependent child	Loss of dependent child status	36 months

*\*This 18-month period may be extended for all qualified beneficiaries if certain conditions are met in cases where a qualified beneficiary is determined to be disabled for purposes of COBRA.*

- ◆ 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). See fact sheet "Workers' Right to Health Plan Information (ERISA, Claims Procedures and SPD Regulation)"
- ◆ When the plan administrator is notified that a qualifying event has happened, 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 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 beneficiaries may be required to pay the entire premium for coverage up to 102% of the cost to the plan. Premiums may be higher for persons exercising the disability provisions of COBRA. Failure to make timely payments may result in loss of coverage.
- ◆ Premiums may be increased by the plan; however, premiums generally must be set in advance of each 12-month premium cycle.
- ◆ Individuals subject to COBRA coverage may be responsible for paying all costs related to deductibles, and may be subject to catastrophic and other benefit limits.