

Changes to COBRA Insurance Continuation Requirements

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Posted By: Timothy C. McDonald

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As part of the recent Small Business Job Protection Act and the Health Insurance Portability and Accountability Act, Congress made certain changes to the COBRA health insurance continuation law. Employers must provide notice of the changes before November 1, 1996, to covered employees and qualified beneficiaries, who either have elected such coverage or still are in their 60-day election period. We have prepared a model notice that you may duplicate and send out for this purpose.

COBRA continuation requirements are applicable to health plans sponsored by employers of 20 or more employees, including state and local governments. Plans sponsored by church organizations may be exempt from COBRA, but many of such plans elect to comply with COBRA.

Essentially three changes were made. The first change is the date on which a qualified beneficiary must be disabled in order to qualify for an additional 11 months of coverage, for a total of 29 months. Previously, COBRA required that the qualified beneficiary be disabled at the time of the qualifying event. The new requirement is that the qualified beneficiary be disabled at any time within the first 60 days after the qualifying event.

The second change clarifies that any child born to or placed for adoption with the covered employee during the continuation period is also a qualified beneficiary who can separately elect COBRA continuation coverage.

The third change clarifies the measurement of the maximum period of COBRA coverage for a qualified beneficiary who is the spouse or dependent of a covered employee who is entitled to Medicare. If Medicare entitlement occurs within 18 months before the covered employee ceases employment or suffers a reduction in hours worked, the employee's spouse or dependent's maximum period of COBRA coverage ends 36 months after the date of the employee's entitlement to Medicare (not 36 months after employment termination or the reduction in hours worked).

In addition to mailing out notices prior to November 1, COBRA explanations and election forms should be reviewed. Those forms should reflect these changes.

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