



COBRA ... What is it? Do I need it?

Something has happened to change the employment relationship with your employer...you've been laid off, hours have been reduced or you've just decided to change jobs. So what do you do about your health insurance coverage? Well you are in luck (kinda)! In 1996, as part of the HIPAA legislation, federal law was instated to cover portability of insurance known as Consolidated Omnibus Budget Reconciliation Act or COBRA. This law requires that employers continue to provide the same health insurance coverage to ex-employees for a specific amount of time, typically 18 months.

What is COBRA? First, let's be clear that COBRA is a law – not the insurance itself. This federal law provides you the right to continue your same insurance coverage after a job termination in most every instance except “gross misconduct”.

How does it work? Upon employment termination, the employer is responsible to notify the health plan administrator within 30 days. Once that occurs, the health plan administrator will contact the ex-employee and provide the paperwork to select your COBRA benefits. The ex-employee will have 45 days to pay the initial premium that will retroactively start the benefits. Basically, that means if your employment ended on July 31 and even though it takes 30 or 60 days for paperwork to catch up with you, the first premium payment will start coverage on August 1.

NOTE: With the paperwork provided by the plan administrator there should be a Certificate of Coverage. Keep up with this document! When you stop the COBRA benefits to begin new health coverage, this will be an important document for you.

Who is eligible? There are three aspects of eligibility:

1. You must work for an employer with at least 20 employees
2. You must be a “Qualified Beneficiary” – which refers to the employee, the spouse of the employee and/or the dependent children of the employee. The same people that were included on the coverage before employment status changed. You can't elect to add additional people to your plan under COBRA, but you are able to reduce the number of covered individuals. For example, a child may be able to switch to the other parent's coverage in the interim.
3. There has to be a “Qualifying Event” – which is the event that ended the employment relationship or reduced the number of hours worked below the amount that it is too low to receive benefits.

How does the cost of COBRA compare to traditional benefits? Remember that you have lost the status of “employee”, so your former company is not going to pay the same share of your health coverage. As an “employee” your benefits were a shared cost. Accessing health coverage through COBRA requires that you pay the *employee* portion of the premium, the *employer* portion of the premium and typically an *administrative fee* of 2%. Once you recover from the sticker shock – it's time to seriously consider if this coverage is for you.

Things to consider. While the cost may appear to be prohibitive on first glance, the question may be “can you afford NOT to have coverage?” If you have a lapse in your medical coverage, there is a far greater likelihood for future claims to be denied based on a pre-existing condition. It is common for an insurance carrier to look at a period of no coverage as the point in time when an ailment manifested. Do you or a family member have an on-going illness that requires continual medical supervision? Are there children or elderly people being covered by the policy? If you answer yes to any of these questions, this may be the option for you to use, at least for a short period until more permanent benefits take effect.

Note: If you had medical, dental and vision coverage while employed, you may not have to elect this rich a package while using COBRA. Each plan varies, but it may be possible to only pay for medical coverage during this period of transition.