

COBRA COVERAGE

Under the Federal Consolidated Omnibus Budget Reconciliation Act (COBRA) as implemented by the Governing Board Report No. 81-G of June 14, 1987, the District is required to offer continuation of coverage to insured employees and/or dependents whose coverage would otherwise terminate due to a qualifying event.

Continuation Coverage

When a covered member loses eligibility under a District-sponsored health/dental/vision plan due a “qualifying event” (see below), he or she has the legal right to elect continuation of coverage under the plan without a lapse. Additionally, he or she may select coverage from among the various plans currently being provided to active employees as outlined in the carrier’s agreement. Throughout the period of continuation coverage, all covered members will have the same rights as active employees.

Qualifying Event

The right to elect continuation coverage is created when a member’s coverage under a plan terminates because of :

1. Termination of employment for other than gross misconduct.
2. Reduction of hours worked.
3. Death of the employee.¹
4. Divorce or legal separation from the employee.
5. Dependent child ceases to be an eligible dependent child according to the terms of the plan.
6. Inactive employee’s entitlement to Medicare coverage

After an employee and/or dependent becomes eligible for COBRA continuation of coverage due to a qualifying event, the following COBRA administrative rules will apply:

Duration of Continuation Coverage

COBRA continuation coverage will end for all covered members when any of the following occurs:

1. 18 months pass after the regular coverage ended due to termination of employment or because of reduced hours worked.
2. 36 months pass after regular coverage ended due to death, divorce or legal separation, or a dependent child’s ceasing to be a dependent child according to the terms of the plan.

¹ Please note that District policy exceeds COBRA requirements in that:
“Upon the death of a retiree or employee, a surviving spouse and/or dependents, if any, shall continue to receive for a six month period from the date of death, District contributions toward health and dental insurance coverage at the level in effect at the date of death. To continue coverage in the dental insurance program, the surviving spouse and/or dependents must elect one of the following options: (1) remaining in the program pursuant to COBRA regulations which will provide coverage for thirty-six months, of which the District will pay the first six months, or (2) declining coverage under COBRA and continue for six month at District expense, with termination of coverage at the end of the six months. After six months the surviving spouse and/or dependents may at their option remain in the health insurance program by paying full premium amounts required for the program of enrollment to the District quarterly, in advance.”

3. 36 months pass after the death of a retiree-plan subscriber when continuation coverage was in force due to discontinuance of a retiree plan by an employer-sponsor because of a Chapter 11 bankruptcy filing. (Continuation for the surviving covered dependents would be automatic. They do not lose eligibility under the plan because of the subscriber's death and do not have to notify the employer of a new election.)
4. The District ceases to maintain any health plan for any employee.
5. Failure of the qualified beneficiary to make timely payment of premiums.

Qualified Beneficiary

A qualified beneficiary is an employee and/or his or her spouse and/or dependent(s) who have lost eligibility under a District-sponsored group health/dental/vision plan due to a qualifying event.

Notice Requirements

Both the District and the qualified beneficiary have obligations to notify one another of certain matters including overage dependent status.

General Notice to Employees

As of the COBRA effective date (July 1, 1987) or upon initial employment, the District COBRA administrator shall present to each employee a written description of their rights to COBRA continuation coverage. The use of this mode will demonstrate good faith in complying with COBRA's general notice requirement, in keeping with U.S. Department of Labor ruling.

It should be documented how the general notice has been distributed.

COBRA Notification Requirements

Within 30 days after being made aware that a qualifying event has occurred, the District will notify their COBRA administrator of the qualifying event within 14 days of receiving this notice, the District's COBRA administrator will send a qualifying event form to the beneficiary notifying them of their rights under COBRA, the appropriate COBRA Continuation Plan Election Form(s), and the appropriate COBRA Enrollment Form(s). Giving the notice at this point, while it may seem redundant, is a requirement of the law. The District shall notify the qualified beneficiary when one of the following qualifying events occur:

1. Termination of employment.
2. Reduction of hours worked resulting in loss of coverage.
3. Death of the employee.
4. Termination by the employer of a retiree health plan due to a Chapter 11 bankruptcy filing.
5. Divorce or legal separation.
6. A child ceases to satisfy eligibility requirements such as becoming an overage dependent. (The employee must notify the District of this particular qualifying event. The employee will receive notification from the carrier about this before it occurs.)

Within 30 days of the qualifying event, the District Payroll office will do one of the following: (1) cancel membership unless notified of election of continuation coverage; (2) notify carrier of election of continuation coverage.

Election of Coverage

The employee or dependent has 60 days after receiving a Qualifying Event Form to choose whether or not to continue coverage. An election made by the canceled subscriber or spouse will pertain to all other canceled members unless otherwise specified in the election. Continuation coverage can be provided for all or any number of the former members. (A dependent child can make the election on his or her own behalf if he or she is at least 18 years of age. A guardian can make an election for younger children.)

Effective Date of Coverage

Continuation of coverage will become effective on the first day of the month following loss of eligibility because of a qualifying event. Coverage under the previous social security number will continue through the end of the month.

Cancellation of Member from Active Employee Plan

Members whose coverage ends due to one of the qualifying events should be canceled in the usual manner. Nothing special is required.

Notifying Carrier of an Election

When an employee/qualified beneficiary elects through COBRA compliance, do the following:

1. Complete and forward to District Human Resources the necessary carrier enrollment forms.
2. District Human Resources, upon receipt of these enrollment forms, will send Payroll for re-enrollment in the District sponsored plans on COBRA.

Processing of COBRA Applicants Monthly Billings

1. If the District does not receive the initial premium and required enrollment card from the COBRA applicant before processing the following month's eligibility and premium, the District is to show the termination on the monthly billing following normal procedures.
2. The District should then establish a pending file for COBRA applicants.

Payment to Carrier

The law permits the District to charge continuation members 102% of the amount paid from their coverage.

1. All COBRA participants send monthly COBRA premiums directly to the COBRA administrator. COBRA participants pay an additional 2% of the total premium for administration costs under the COBRA legislation.
2. There can be no interruption of coverage under COBRA. Monthly payments will be required retroactive to the date of the qualifying event and the premium for the initial period of coverage is payable within 45 days after the choice to continue has been made. Thereafter, each monthly payment is due on the first of each month.

The District's group plan will treat COBRA members as follows:

1. They will be assigned a unique group number.
2. The word COBRA will be included in the group name.
3. The subscriber I.D. number will be the Social Security number of the COBRA subscriber.
4. A separate bill will be generated for the COBRA group.

District's Billing Responsibilities

Each month the District will receive a report of COBRA participants, the corresponding cost, and a check payable to the District from the COBRA administrator. The District will then pay each carrier the COBRA amount due. These funds are paid to the District directly from premium costs submitted by COBRA participants therefore the cost to the District is nothing.

Adding Newly Eligible Dependents

Once continuance coverage is in force, all eligibility rules of the carriers' agreements will apply in the usual manner. For instance, newly acquired spouses and children can be added as covered dependents when they meet the eligibility rules.

Selection of Type of Coverage

The continued coverage must be identical to the coverage provided under the plan for active employees and dependents. A person continuing coverage begins by continuing the same coverage he/she had immediately before the "qualifying event."

Selection of Type of Coverage (Open Enrollment)

Any qualified beneficiary may, during a subsequent open enrollment period, select coverage under any of the plans which the District offers to active employees. This means, for example, that a subscriber or dependent may select HMO coverage when his or her previous coverage was under a point-of-service plan.

Re-enrollment During Continuation (Bankruptcy Situations)

There is one circumstance under which a second COBRA enrollment may be carried out, even though a subsequent qualifying event has not occurred.

If a Retiree-plan subscriber dies, and continuation coverage is in force due to previous termination of a retiree plan because of a Chapter 11 bankruptcy filing by the employer, the covered survivors' coverage will continue for 36 months without a new election. (Continuation is automatic.)

Conversion Notice Requirements

The District's COBRA administrator must notify a member whose continuation coverage is ending that conversion coverage is available. The method will be the same as in the past, but the timing considerations are as follows:

1. If continuation coverage appears to be running its full course of 18 or 36 months, the notice must be made prior to the end of coverage, but not prior to the last six months of continuation coverage.
2. If continuation coverage ends prior to its maximum span of 18 or 36 months, COBRA does not stipulate any requirements. California law will apply, however. Consequently, the terminating member must be notified of the availability of conversion within 14 days of the end of continuation coverage.

Note:

COBRA continuation members do not have greater or lesser rights under provider's agreement than regular members. This means, for instance, that if they move out of the provider's service area, they will not be eligible for continuation coverage or conversion coverage.

District Terminates Carrier Agreement

If an agreement is terminated with a carrier, all members, including those who had elected COBRA continuation coverage, will be terminated. The District's obligation to the COBRA qualified beneficiaries is to provide them with whatever coverage is provided to the District's active employees.

Retirement is a Qualifying Event

Retirement, a qualifying event under COBRA, may present some confusion because Medicare is frequently involved.