

## COBRA INFORMATION

The Consolidated Omnibus Budget Reconciliation Act (COBRA) of 1985 gives you and your covered dependents the right to continue group medical, dental and vision coverage and a health care spending account when coverage with the SBCCOE Benefit Plan ends. In considering whether to elect continuation coverage, you should take into account that a loss of health coverage of more than 90 days may result in a pre-existing condition exclusion being applied to you or your family member by another group or individual health plan. This brochure explains you and your covered dependent rights under COBRA.

### 1. Who can continue coverage?

Qualified Beneficiaries may continue group medical, dental and vision coverage when coverage ends due to the occurrence of certain events called Qualifying Events. Qualified Beneficiaries can be an employee, an employee's spouse/domestic partner, and an employee's dependent who were covered under one of the SBCCOE's group medical, dental and vision plans the day before a Qualifying Event. Also, a Qualified Beneficiary can be a child who is born or placed for adoption with the employee during COBRA coverage.

A Qualifying Event is defined as follows:

- a) end of employment or a reduction of work hours (EXCEPTION: COBRA rights do not apply if the end of employment is due to an employee's gross misconduct);
- b) death of covered employee;
- c) divorce or legal separation of a covered employee from his/her covered spouse and/or termination of a domestic partnership;
- d) covered dependent child(ren) is no longer eligible under the terms of the plan; and/or
- e) entitlement to Medicare for a covered employee (entitlement means a person becomes eligible for and enrolled in Medicare).

Qualified Beneficiaries are required to notify the Human Resources Office in writing within 60 days of the following Qualifying Events:

- a) divorce or legal separation of a covered employee from his/her covered spouse and/or termination of a domestic partnership;
- b) covered dependent child(ren) are no longer eligible as of:
  - 1) the date of the covered dependent's marriage;
  - 2) the last day of the month in which a covered dependent is no longer financially dependent upon the covered employee; or
  - 3) the last day of the month in which a covered dependent reaches age 25.

### 2. What coverage may be continued?

Qualified Beneficiaries may elect their COBRA coverage to continue in the medical, dental and vision plans in which they were enrolled on the day before the Qualifying Event. The group medical, dental and vision plans offered under COBRA shall remain the same as coverage provided to active SBCCOE employees and their dependents. Qualified Beneficiaries may change medical plans during the annual Open Enrollment Period. The change will become effective July 1 following the Open Enrollment.

If SBCCOE changes the coverage for active employees and their dependents, the coverage provided under COBRA will change in the same manner. If a Qualified Beneficiary moves from the service area of a medical plan, they must change medical plans. Notification must be sent to the COBRA Coordinator at HealthSmart Benefit Solutions within 30 days of the move.

### 3. How long can coverage continue?

When coverage on an active employee stops because SBCCOE employment ends or a reduction of work hours, COBRA coverage may be continued for up to 18 months [see par. 1(a)].

A disabled Qualified Beneficiary may continue COBRA coverage for a maximum of 29 months if:

- a) he/she is considered to be disabled, according to Social Security or PERA standards at the time of or within 60 days of the Qualifying Event;
- b) he/she remains disabled according to Social Security or PERA standards during the extended COBRA coverage period; and
- c) he/she notifies the COBRA Coordinator at HealthSmart Benefit Solutions of the Social Security or PERA disability determination within 60 days after it is made and before the end of the first 18 months of COBRA coverage.

**NOTE:** All covered family members of a disabled Qualified Beneficiary are entitled to the 11-month extension if the disability qualifies.

If a Qualified Beneficiary is notified by Social Security or PERA that he/she is no longer considered disabled, the Qualified Beneficiary must notify the COBRA Coordinator at HealthSmart Benefit Solutions within 30 days of the notification. If a Qualified Beneficiary's medical, dental and vision coverage ends for any Qualifying Event other than termination or reduction of work hours [see paragraphs 1(b) through 1(e)], COBRA coverage becomes available to that individual for up to 36 months.

**NOTE:** The 18-month coverage period may be extended for covered dependents if another Qualifying Event occurs during the initial 18-month coverage period. For example, if a covered dependent child reaches the eligibility age limit within the first 18-month COBRA period, the dependent child may elect to continue coverage beyond 18 months. However, if multiple Qualifying Events occur, coverage may not continue beyond a total of 36 months from the date of the first Qualifying Event.

### 4. When does COBRA coverage end?

COBRA coverage for a Qualified Beneficiary ends on the earliest of the following dates:

- a) the last day of the month for which a premium has been paid (there is a grace period of 30 days for the regularly scheduled monthly premiums);
- b) the date the Qualified Beneficiary becomes covered as an employee or an eligible dependent under any other group health plan (EXCEPTION: COBRA coverage will not end if the Qualified Beneficiary has a pre-existing condition that is excluded under the new plan);
- c) the date, after the date of the continuation coverage election, the Qualified Beneficiary becomes eligible for and enrolled in Medicare;
- d) the date on which the SBCCOE ceases to provide any group medical, dental and vision coverage to any employee;
- e) the last day of the first month (at least 30 days after) a Qualified Beneficiary is no longer considered to be disabled by Social Security or PERA but not before the initial 18-month COBRA period ends; or
- f) the date of the maximum COBRA continuation period (18, 29, or 36 months) ends.

### 5. When must a Qualified Beneficiary decide?

A Qualified Beneficiary has 60 days from the later of the following dates to elect COBRA continuation coverage:

- a) the Qualifying Event date (e.g., divorce); or
- b) the date the notice of the right to continue coverage is sent.

Continuation coverage is effective from the date that coverage under the SBCCOE's Benefit Plan would otherwise end, regardless of when the decision to elect COBRA coverage is received during the 60-day election period. If continued coverage is not elected within this 60-day period, group medical, dental and vision coverage will end along with the right to continue coverage under COBRA.

### 6. How much will it cost?

Because Qualified Beneficiaries must pay premiums directly to HealthSmart Benefit Solutions, all COBRA premium payments are made on an after-tax basis. The monthly COBRA premium is the total monthly premium for coverage under the SBCCOE's Benefit Plan plus a 2% administrative fee. If the premium for group coverage under the SBCCOE Benefit Plan changes, the monthly premium for continuation coverage under COBRA will change in the same manner.

The monthly premium for continuation of the health care spending account is based on the annual amount you choose to contribute to the account and the number of months remaining under COBRA coverage during the period for which the employee made the election. SBCCOE may charge additional administrative fees for continued participation.

The American Recovery and Reinvestment Act of 2009 (ARRA) reduces the COBRA premium in some cases. The premium reduction is available to certain individuals who experience a qualifying event that is an involuntary termination of employment during the period beginning September 1, 2008 and ending February 28, 2010. If you qualify for the premium reduction, you only pay 35% of the COBRA premium otherwise due to the plan. This premium reduction is available for up to fifteen months. If your COBRA continuation coverage lasts for more than fifteen months, you will have to pay the full amount to continue your COBRA continuation coverage. For additional information, request a copy of the "Summary of the COBRA Premium Reduction Provisions under ARRA" from your college/agency human resources office for more details, restrictions and obligations as well as the form necessary to establish eligibility.

If a Qualified Beneficiary is disabled according to Social Security or PERA and qualifies for 29 months of COBRA coverage, the monthly premium for the last 11 months of COBRA coverage will be the entire active employee premium plus a 50% administrative fee. If only the non-disabled family members elect the additional 11 months, the monthly premium will be the entire active employee premium plus a 2% administrative fee.

7. **When and to whom do the qualified beneficiaries pay?** Qualified Beneficiaries will be billed by HealthSmart Benefit Solutions and all payments must be sent directly to them. The first premium payment is due no later than 45 days after the Qualified Beneficiary is sent the COBRA confirmation notice.

Payment of the remaining monthly premiums are due on the first calendar day of each month. If the premium is not received by HealthSmart Benefit Solutions within 30 days of this due date, coverage will end on the final calendar day of the last month for which the COBRA premium was paid. All coverage canceled due to non-payment of COBRA premiums cannot be reinstated.

8. **Will evidence of good health be required?**  
No. A Qualified Beneficiary who elects COBRA coverage is not required to provide evidence of good health.
9. **What happens when COBRA ends?**  
An individual who continues COBRA coverage through the entire period has the opportunity to convert COBRA coverage to an individual policy. This individual policy is limited to medical coverage only, and does not require evidence of good health. Conversion may be made during the month before the 18<sup>th</sup>, 29<sup>th</sup>, or 36<sup>th</sup> month COBRA coverage period ends. Individual conversion policies and rates are established by the medical carrier which underwrites the group plan for the SBCCOE and are not the same as coverage under COBRA.

Instead of selecting COBRA coverage, Qualified Beneficiaries who have been covered under the group coverage for at least three months immediately prior to termination of group coverage, may convert to an individual policy when regular group coverage ends (i.e., at the time a Qualifying Event occurs). To convert to an individual policy, the covered person must request conversion within 30 days after medical coverage under the SBCCOE Benefit Plan would end.

10. **Who should I contact if I have questions about COBRA, and where should the form be sent?**  
Questions should be directed to the COBRA Coordinator at HealthSmart Benefit Solutions 1-800-423-4445. COBRA Continuation of Medical/Dental/Vision Coverage Election forms are available from your college/agency human resources office.

**Completed forms must be sent to:**  
HealthSmart Benefit Solutions  
10303 E. Dry Creek Road, Suite 200  
Englewood, CO 80112

#### **Keep Your Plan Informed of Address Changes**

In order to protect your and your family's rights, you should keep the COBRA Coordinator informed of any changes in your address and the addresses of family members. You should also keep a copy, for your records, of any notices you send to the COBRA Coordinator.

#### **COBRA and the Trade Assistance Act**

If you qualify for Trade Adjustment Assistance (TAA) as defined by the Trade Act of 2002, you will be provided with an additional 60-day enrollment period, with continuation coverage beginning on the date of such TAA approval.

# SBCCOE EMPLOYEE CHOICE FLEXIBLE BENEFIT PLAN



# EMPLOYEE'S GUIDE TO UNDERSTANDING COBRA