

COBRA Basics

The **Consolidated Omnibus Budget Reconciliation Act of 1985**, or **COBRA**, requires employers with 20 or more employees to allow some employees the ability to continue health insurance coverage after leaving employment.

Employees and their dependents who had been covered by a health care plan become eligible to maintain coverage at the time of a “qualifying event.” Employers are often surprised at the breadth of the definition of the term. Among other employment events, the definition of a qualifying COBRA event, includes the loss of benefits coverage due to:

- (1) the death of the covered employee,
- (2) a reduction in hours (which can be the result of resignation, discharge, layoff, strike or lockout, medical leave or simply a slowdown in business operations) that causes the worker to lose eligibility for coverage,
- (3) divorce, which normally terminates the ex-spouse's eligibility for benefits, or
- (4) a dependent child reaching the age at which he or she is no longer covered.

COBRA does not apply, on the other hand, if employees lose their benefits coverage because the employer has terminated the plan altogether.

Employers are not required to pay the cost of providing the continued benefits coverage for employees; rather, COBRA requires employees and their dependents to maintain coverage at their own expense.

One of the most complicated aspects of COBRA for employers is knowing when to provide employees notice of COBRA rights. An employer that fails to provide timely notice may be subject to costly penalties (\$110 per day, per employee) and other sanctions.

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