

Title/Subject: **Continuation of Health Insurance - COBRA (CONSOLIDATED OMNIBUS BUDGET RECONCILIATION ACT) OF 1985**

Applies to:  faculty  staff  students  student employees  visitors  contractors

Effective Date of This Revision: July 1, 2010

Contact for More Information: Human Resources - Benefits & Wellness Office  
108 Rowe Hall

Board Policy  Administrative Policy  Procedure  Guideline

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**BACKGROUND:**

CMU has adopted this policy to comply with the Consolidated Omnibus Budget Reconciliation Act (COBRA) of 1985.

**PURPOSE:**

Upon enrollment in CMU's group health coverage, employees and their dependents have certain rights under COBRA. This policy explains those rights. To the extent that any provision of this policy is ambiguous and/or contradicts the Act, the language of the Act will prevail.

**DEFINITIONS:**

The terms used in this policy have the following meaning:

- The term 'employee' refers to any eligible employee actively enrolled in CMU's group health coverage.
- The term 'employer' refers to Central Michigan University.
- The term 'spouse' refers to a member of the opposite sex who is legally married to an eligible employee and who is actively enrolled in CMU's group health coverage according to the provisions of CMU's flexible benefits plan *CMU Choices*.
- The term Other Eligible Individual (OEI) refers to an Other Eligible Individual as described at the Other Eligible Individual website: [http://cmich.edu/HR\\_Home/Benefits\\_and\\_Wellness/Other\\_Eligible\\_Individual.htm](http://cmich.edu/HR_Home/Benefits_and_Wellness/Other_Eligible_Individual.htm). Such person must be actively enrolled in CMU's group health coverage according to the provisions of CMU's flexible benefit plan *CMU Choices*.
- The term 'dependent' refers to a dependent child of an eligible employee or of the Other Eligible Individual actively enrolled in CMU's group health plan according to the provisions of CMU's flexible benefits plan *CMU Choices*.
- The term 'participant' refers to the employee, spouse, or dependent covered by the group health plan.

**POLICY** (taken as an excerpt from the Act):

The Consolidated Omnibus Budget Reconciliation Act requires group health plans to offer employees, spouses, and/or dependents, who under certain circumstances would lose coverage the opportunity to continue coverage under the plan at group rates for a limited period of time.

**1.0 Eligibility:** To be eligible for continued coverage:

- 1.1 Employees must be covered under one of CMU's health plans (Medical, Prescription Drug, Dental, Vision and/or Health Care Flexible Spending Account) at the time the qualifying status change event occurs.
  - 1.1.1 Spouses, Other Eligible Individuals and/or dependent children of the employee or Other Eligible Individual must be covered under an employee's current health plan at the time the qualifying status change event occurs in order to be eligible for continued coverage.

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Authority: G. Ross, President

History: July 2005

Indexed as: Termination of Health Insurance, Continuation of Health Insurance, COBRA

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- 1.1.2 Health Care Flexible Spending Account participation can be continued by employee only, not by a spouse or dependent [by law, Other Eligible Individuals are not eligible for Health Care Flexible Spending Account participation].

**2.0 Qualifying Status Change Events:**

- 2.1 In order to be eligible for continued insurance coverage through COBRA, one or more of the following qualifying status change events must occur:
  - 2.1.1 Termination of employment at CMU [for other than gross misconduct];
  - 2.1.2 Reduction in work hours of CMU employee;
  - 2.1.3 Employee transfer to a position which is not eligible for benefits;
  - 2.1.4 Death of CMU employee;
  - 2.1.5 Change in marital status (divorce, legal separation);
  - 2.1.6 Employee qualifies for Medicare; or
  - 2.1.7 Loss of dependent status (dependent gets married, exceeds age limit for health coverage; etc.).
- 2.2 Notification that a status change event took place must be completed and returned to the Benefits & Wellness Office.
  - 2.2.1 Proper paperwork must be submitted within 30 days of the event occurring.
  - 2.2.2 Proper documentation must accompany the status change paperwork (if applicable)
- 2.3 Depending on the type of qualifying status change event that occurs, the maximum period to continue coverage through COBRA is determined starting with the date the event occurs through the time period listed below:
  - 2.3.1 18 months for employee events (ie – 2.1.1, 2.1.2, or 2.1.3).
  - 2.3.2 36 months for spouse and/or dependent events (ie – 2.1.4, 2.1.5, 2.1.6 or 2.1.7).
  - 2.3.3 29 months if any of the participants becomes disabled (as determined by the Social Security Act) while on COBRA.
    - 2.3.3.1 An 11-month extension in the maximum coverage period may be available if any of the participants is determined by the Social Security Administration to be disabled.
    - 2.3.3.2 The disability has to have started at some point before the 60<sup>th</sup> day of COBRA continuation coverage and must last at least until the end of the 18 month period of continuation coverage.
    - 2.3.3.3 To obtain this extended coverage, you must notify Benefits & Wellness of Social Security's disability determination within 60 days of the determination and within 18 months of the original qualifying status change event. Failure to provide notice of a disability may affect the right to extend the period of continuation coverage.
    - 2.3.3.4 If participants electing coverage are determined by Social Security to be no longer disabled, such persons must notify Benefits & Wellness within 30 days of the determination as the participant would no longer be eligible for the extension.
    - 2.3.3.5 A participant electing coverage could pay up to 150% of the full cost of continuation of coverage during the 11-month period of extended coverage.
- 2.4 In the event a second qualifying status change event occurs regarding a current COBRA participant, additional COBRA rights may be extended to applicable maximum coverage periods.
  - 2.4.1 An 18-month extension of coverage will be available to spouses, Other Eligible Individuals and dependents who elect continuation coverage if a second qualifying event occurs during the first 18 months of continuation coverage.
  - 2.4.2 Such second qualifying events may include the death of a covered employee, divorce or separation from the covered employee, the covered employee's becoming entitled to Medicare benefits, or a dependent child's ceasing to be eligible for coverage under the Plan.
  - 2.4.3 These events can be a second qualifying event only if they would have caused the spouse, Other Eligible Individual or dependents to lose coverage under the group health plan if the first qualifying event had not occurred.

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- 2.4.4 It is the responsibility of the employee, the spouse or dependent to notify the Benefits & Wellness Office of a second qualifying event while covered under COBRA, within 60 days of the event in order to qualify for an extension of the maximum coverage period. Failure to provide notice of a second qualifying event may affect the right to extend the period of continuation coverage.
- 2.4.5 COBRA coverage does not extend beyond 36 months from the original qualifying event, no matter how many events occur.

**3.0 Obligations of the Employer:**

- 3.1 An initial notice will be furnished to covered employees and spouses, at the time coverage under the plan commences, informing them of their rights under COBRA and describing provisions of the law.
- 3.2 Within fourteen (14) days after receiving notification that a status change event has occurred, the Benefits Office must notify the employee/spouse/dependent of their rights under COBRA to continue coverage under the group health plan.
  - 3.2.1 For any insurance coverage offered through COBRA, the Central Michigan University charges the full premium plus a 2% fee to cover administrative costs.
  - 3.2.2 Insurance plan coverage (ie – deductibles and/or co-pays) must remain the same for COBRA participants as active employees.
  - 3.2.3 A notification will be sent to participants who are determined ineligible for COBRA continuation coverage.
- 3.3 An annual open enrollment period must be held for COBRA participants under the same deadlines and guidelines that are held for active employees during which COBRA participants may change plans, drop or add coverage.
  - 3.3.1 Participants must be notified of any changes to the coverage and premiums that occur.

**4.0 Obligations of the Participant:**

- 4.1 If the spouse, Other Eligible Individual or dependent(s) lose coverage due to divorce, due to the employee becoming eligible for Medicare, or loss of dependent status, the Benefits & Wellness office may not know of these changes and will not automatically mail out COBRA information.
  - 4.1.1 The employee must notify the Benefits & Wellness office within 30 days of the qualifying status change event so that the spouse or dependent(s) will qualify for COBRA coverage.
- 4.2 A decision to elect COBRA must be submitted to Benefits & Wellness within 60 days of the original date of the COBRA letter from the employer.
- 4.3 Participants may choose to elect all or part of the benefits for which they are eligible at the time the status change event occurs (exception – Medical and Prescription Drug must be elected together at the same level).
- 4.4 Upon electing to continue insurance(s) through COBRA, an initial payment is due within 45 days of the date on which the election notice was received by Central Michigan University. It is the responsibility of the participant to send timely premium payments; Central Michigan University will not send notices of monthly premium payments.
- 4.5 The first payment must cover the cost of benefit continuation from the time of the coverage termination (the date of the status change event) up to the time of the first payment.
- 4.6 It is the responsibility of the employee, spouse, Other Eligible Individual or dependent to notify the Benefits & Wellness Office of any address changes applicable to the employee and/or their spouse, Other Eligible Individual or dependents in order to protect COBRA rights.
- 4.7 It is the responsibility of the COBRA participant to notify the Benefits & Wellness Office in writing of a termination of COBRA coverage prior to the end of the eligibility period.

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**5.0 COBRA payments:**

- 5.1 Participants who elect to continue insurance coverage through COBRA are responsible for making monthly premium payments to the Benefits Office by the first of each month for which coverage is continued.
  - 5.1.1 A 30-day grace period will apply for any late payments.
  - 5.1.2 After the grace period has expired, a letter will be sent to the participant requesting overdue payments.
  - 5.1.3 Failure to make retroactive payments will result in early termination of the COBRA coverage.

**6.0 COBRA termination:**

- 6.1 COBRA benefit coverage will automatically terminate on the last day of the applicable maximum time period allowed.
- 6.2 Early termination of COBRA benefit coverage will occur if one of the following applies:
  - 6.2.1 Payment for the coverage was not received by the deadline date;
  - 6.2.2 Current participant becomes covered by another employer's group health plan;
  - 6.2.3 Current participant becomes eligible for Medicare;
  - 6.2.4 Current participant becomes divorced from a covered employee and subsequently becomes covered under a new spouse's plan;
  - 6.2.5 Central Michigan University no longer provides group health coverage to its employees;
- 6.3 If termination occurs retroactively for any of the reasons listed in 6.2, payments for claims that were paid by the vendors during the applicable time period will be reversed and the participant will become responsible for those claims costs.
- 6.4 A notification of early termination will sent to participants if COBRA benefit coverage is terminated before the applicable maximum time period allowed.

*Central Michigan University reserves the right to make exceptions to, modify or eliminate this policy and or its content. This document supersedes all previous policies, procedures or guidelines relative to this subject.*