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COBRA AND CONTINUING MEDICAL COVERAGE

Terminated/terminating employees are entitled to notice that they may continue medical insurance coverage previously offered, under the Federal COBRA law. The contents of a type of notice follow:

CONTINUATION OF COVERAGE NOTICE

Federal law and Missouri law require that most people who become ineligible for their group health coverage be offered the option of continuing that coverage for a period of time at group rates.

Federal law does not affect employers with fewer than 20 employees, plans for federal employees or church plans. The federal law affects association groups only if one or more employers within the association has 20 or more employees. Then all employers in that association must comply with federal law. The Missouri law does not apply to self-insured groups and federal employee groups.

If an employer is affected by federal law, its provisions take precedence over state law during the period of time its provisions are in effect. If an employer is not affected by federal law the provisions of state law apply.

In general, if your employer has fewer than 20 employees, state law applies to you (State law also applies to church groups, regardless of size, and to associations in which no employer has more than 20 employees.) But if your employer has 20 or more employees, federal law probably applies to you. Also, certain persons may be eligible for additional continuation coverage under Missouri law after they use up their continuation coverage allowed under federal law. (See "Missouri Law) below.

FEDERAL LAW

Under federal law, covered employees are eligible for continuation of group coverage for up to 18 months if they would otherwise lose coverage due to:

- (1) termination of employment (unless the covered employee is terminated for gross misconduct),
- (2) a layoff for economic reasons, or
- (3) reduced hours

Any covered family members can also continue under the employee's coverage or they can apply for coverage in their own right. If they are eligible due to an employee's termination, layoff or reduced hours, a covered spouse and/or covered unmarried children are only eligible for

continuation coverage for up to 18 months. However, they are eligible for up to 36 months if they would otherwise lose coverage due to:

- (1) the employee's death,
- (2) divorce or legal separation,
- (3) Medicare becoming the employee's primary coverage, or
- (4) no longer qualifying as a dependent child due to marriage or reaching the age limit.

In addition, to be eligible for continuation coverage, a person must not be entitled to Medicare.

Extended Coverage or Disabled Individuals: If an employee or covered family member is disabled on the date of eligibility for continuation coverage, he/she may be able to extend that coverage for up to an additional 11 months.

To qualify, the Social Security Administration must officially determine that the person was disabled at the time he/she became eligible for continuation coverage. Also, he/she must notify the plan administrator of this disability determination before the first 18 months of continuation coverage ends and within 60 days after the disability determination has been made.

If the disability ends during the 11 months of additional coverage, the person must notify the plan administrator within 30 days. Continuation coverage will end on the date the disability ended. During the additional 11 months of coverage, the employer can increase the rates charged to the disabled person. See "Cost" below.

Cost: People who choose continuation coverage can be charged up to 102% of the cost of coverage for the type of coverage they apply for. For a qualified disabled person who chooses to continue coverage beyond the initial eligibility period, the employer can charge up to 150% of the cost of coverage. Payment must be made from the date coverage would otherwise have ended.

Coverage: An eligible person has the option of continuing only hospital and medical/surgical coverage or of continuing these core benefits, plus any additional noncore benefits available to other enrollees in the group (such as dental or vision benefits). Life and disability coverage cannot be continued.

Independent Choice: Each eligible person is entitled to make an independent choice in regard to continuation coverage. For example, an employee might choose both core and non core benefits, while a spouse or child might choose only core benefits; or the employee might choose not to take continuation coverage, while a spouse or child could still continue coverage for up to 18 months.

Second Qualifying Event: People who take continuation coverage can have another "qualifying event" that may allow them to extend their coverage further, but only up to a total of 36 months. The second qualifying event must occur while the person has continuation coverage.

For Example, if an employee is laid off, the employee, covered spouse, and children are eligible for continued coverage for up to 18 months. Assume that they take the coverage and seven months later the employee dies. The surviving spouse and children would then be entitled to 36 months of continuation coverage. However, the seven months they had already had coverage would be subtracted from the 36 months.

Rights: People who chose continuation coverage are to have the same rights under the group program as other group enrollees. For example, continuation participants can change coverage type based on the same rules that apply to other group enrollees.

Notification: The employee or a family member is responsible for notifying the plan administrator with 60 days of a divorce, legal separation or a child losing eligible status.

The plan administrator is responsible for notifying the health benefits carrier of the employee's death, termination of employment or reduction in hours.

The plan administrator must notify the eligible people of their right to continue coverage by providing them with a Continuation of Coverage Notice, such as this, and a Continuation of Coverage Form, which will allow them to indicate whether they want continued coverage.

A group participant must decide whether he or she wants continued coverage within 60 days after becoming eligible or within 60 days after being notified of eligibility, whichever is later. (Failure to respond within 60 days will result in forfeiture of continuation of coverage.) Once continuation of coverage is elected, the participant has 45 days in which to make the initial payment.

Termination: If a person chooses this continuation option, coverage would stop earlier than the time period specified above if:

- the person fails to pay for the coverage on time,
- the person becomes entitled to Medicare,
- the employer stops providing a group health benefits program for employees, or
- the person becomes covered under another group health program.

However, if the person becomes covered under another group health plan, continuation coverage would not have to terminate early if the new plan excludes or limits coverage of preexisting conditions. The person could continue to receive the full benefits of continuation coverage (not just benefits for any preexisting conditions) until the original continuation coverage period of either 18 or 36 months ends or until the preexisting conditions limitation or exclusion ends, whichever occurs first.

Note: Certain persons may be eligible for additional continuation of coverage under Missouri Law.

MISSOURI LAW

Groups not affected by federal law:

If group members are not eligible for continuation coverage under federal law, continuation coverage is available under Missouri law.

Under Missouri law, terminated employees can continue group coverage for themselves and covered family members for up to nine months. Divorced spouses and widow(er)s of covered employees can also continue coverage for themselves and any covered family members for up to nine months.

A terminated employee, divorced spouse or widow(er) who want to continue coverage must have been covered under the group program for at least the previous three months and must not be eligible for Medicare or for another group program in which he or she was not already enrolled.

Cost: People who choose continuation coverage can be charged 100% of the cost of coverage of the type of coverage they had previously. Payment must be made from the date coverage would

otherwise have ended.

Coverage: Only hospital and medical/surgical benefits must be offered to continuation participants. The law does not require that optional benefits offered by the group, such as vision and dental coverage, be offered to continuation participants.

Rights: Continuation Coverage is available for the employee and a covered spouse and/or children only when the employee's coverage ends due to termination of employment. A covered spouse and dependents are only eligible to continue coverage if the employee continues coverage, unless the employee and spouse divorce or the employee dies. Continuation participants can add dependents based on the same rules that apply to dependents of other group enrollees.

Notification: Employers are required to notify eligible persons in writing no later than the date on which coverage would otherwise terminate, that they have the opportunity to continue coverage. People who want to continue coverage must submit their requests in writing, along with their first monthly payment, within 31 days of the date coverage would have terminated.

Termination: If a person chooses continuation coverage, this coverage would end earlier than the time specified if:

- coverage is not paid for on time,
- the person becomes eligible to enroll in Medicare,
- the person becomes eligible for another group health benefits program, whether or not covered,
- the employer stops providing a group health benefits program,
- the person is guilty of fraud or deceit in regard to the program.

(End of Notice)

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