

## **COBRA- Initial Notification For FCPS Employees and Dependents**

To provide options for individuals who lose health coverage from an employer-sponsored insurance plan, the Federal Government enacted the Consolidated Omnibus Budget Reconciliation Act of 1985 (Public Law 99-272, Title X), commonly known as "COBRA."

**COBRA LAW** – As a covered employer under COBRA, FCPS must offer employees (and/or their covered dependents) the right to a temporary extension of group insurance (called "continuation coverage") upon experiencing a "qualifying event." We request that you take the time to read this important notification.

This procedure is different from converting to individual coverage after termination of employment. The major advantages are that participants cannot be discriminated against for having a pre-existing medical condition and your benefits would remain identical to the group plan's coverage. COBRA also allows for covered dependents to independently continue their health coverage when lost through a "qualifying event."

**EMPLOYER AND QUALIFIER'S RESPONSIBILITIES** - When an employee or dependent has experienced a "qualifying event," they will be sent notification of their rights to elect COBRA continuation coverage. FCPS shall provide this notification within fourteen (14) days from the date group coverage would be terminated. The employee or dependent has the responsibility to notify Benefits of their desire to continue coverage within 60 days from the later of the date of notification or loss of coverage. Upon acceptance, the qualifier(s) must also submit the completed enrollment forms. Qualifier(s) electing continuation coverage are responsible for premiums back to the date termination from the plan would have occurred.

**PARTICIPANT NOTIFICATION REQUIREMENT** - The Employee or Covered Dependent will be responsible for notifying the Benefits Office of a Divorce, Legal Separation or loss of "dependent status" within 60 days of the "qualifying event". Notification must be made to the Benefits Office in person or in writing, and must be accompanied by documentation to support the change. If we are not notified within this time frame, or without proper documentation, COBRA continuation cannot be offered.

The Employee or Covered Dependent must inform the Benefits Office of any changes in name, mailing address or phone number for any covered individual.

**COBRA QUALIFYING EVENTS** - Listed below are "qualifying events" under COBRA. The maximum continuation time frame depends on the "qualifying event" experienced. Only those enrolled in the group health plan on the day prior to the "qualifying event" are "qualified beneficiaries." Children born to or placed for adoption with an employee during the COBRA continuation period will receive all rights of a "qualified beneficiary" throughout the COBRA continuation period.

### **Qualifying Events That Yield a Maximum of 18 Months (Experienced by the Employee)**

- 1) Termination of Employment (for reason other than "gross misconduct");
- 2) Reduction of Employee's Work Hours.

### **Qualifying Events That Yield a Maximum of 36 Months (Experienced by a covered Dependent)**

- 1) Death of the Employee;
- 2) Divorce or Legal Separation;
- 3) Employee qualifies for Medicare but dependents do not;
- 4) Dependent Child who no longer meets the insurer's definition of a "dependent".

**BECOMING DISABLED** - In the event of an employee's termination or reduction in work hours, employees or covered dependents who become classified as "disabled" by Social Security (under Title 11 or Title XVI) within the first sixty days of COBRA continuation are eligible for an additional 11 months of coverage (yielding a total of 29 months). For this extension to apply, evidence of disability under the Social Security Act must be provided to Benefits within the initial 18 month continuation coverage time frame and within 60 days from the date of the Social Security Administration's determination.

**USERRA** - Employees called to active military duty may elect COBRA coverage for up to 24 months.

**FAMILY AND MEDICAL LEAVE ACT** - Effective August 5, 1993, the Family and Medical Leave Act of 1993 (FMLA) was enacted to allow eligible employees the right to take up to 12 weeks of unpaid leave to care for themselves or a relative. If you elect to take this leave and later notify the company that you will not be returning, you have the ability to continue your coverage for 18 months from the date benefits are terminated. If you are not returning for any reason other than a situation that is beyond your control, FCPS may recoup the cost of benefits paid on your behalf, during your absence.

**MULTIPLE QUALIFYING EVENTS** - If while on COBRA, a covered dependent experiences a second "qualifying event," the dependent may extend their coverage from 18 (or 29 for a disability) to 36 months. The maximum continuation period for any qualifying event is 36 months. It is the responsibility of the employee or covered dependent to notify Benefits within 60 days of the second "qualifying event."

**COBRA TERMINATION** - You may voluntarily terminate COBRA coverage at anytime by notifying Benefits in advance. The COBRA legislation provides the employer the right to terminate continuation coverage for one or more of the following reasons:

- 1) The company terminates the plan(s) (you are continuing) for all active employees.
- 2) The COBRA premiums are not paid in a timely manner.
- 3) If the employee and/or covered dependents become covered under another group plan.
- 4) An employee becomes entitled to Medicare. (Dependent's continuation coverage may be extended to 36 months upon notifying our office of the employee's Medicare entitlement.)

**PREMIUM COSTS** - The cost of continuation coverage will be determined at the time of the "qualifying event." Your cost will be the amount the insurance company charges for active employees (with similar coverage type) plus a 2% administration fee. If the insurer delivers a premium increase or reduction, the COBRA participant's premiums will be adjusted accordingly.

**HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT OF 1996** - With the signing of the Health Insurance Portability and Accountability Act of 1996 (HIPAA), COBRA's rules changed creating further options to individuals losing insurance coverage under a group plan. The law further defined the "Disability Extension," Eligible COBRA Qualifying Beneficiaries and when coverage can be terminated from COBRA due to new coverage under another group plan.

If the new plan excludes a covered person's medical pre-existing condition, that person may continue under the COBRA continuation coverage. The Health Insurance Portability and Accountability Act of 1996 limits maximum time frames for pre-existing conditions, therefore a person with prior creditable coverage exceeding the pre-existing limitation period of the new group plan may be terminated by the employer. In addition, if you elect COBRA and exhaust either the eighteen (18) or thirty-six (36) months maximum time frame, you may be eligible for coverage under an individual plan (through an insurer of your choice) on a guaranteed issue basis without any pre-existing condition limitations.

Lastly, HIPAA allows individuals to pay for their COBRA premiums from withdrawals from an Individual Retirement Account (IRA). After December 31, 1996, withdrawals may be made penalty free (usually 10%) for medical insurance if the individual has received unemployment compensation under federal or state law for at least twelve (12) weeks. This provision only eliminates the 10% penalty fee and not the standard income tax.

**INSURANCE PLAN REQUIREMENTS** - Some group insurance plans require members to receive services from contracted providers. If you elect COBRA continuation coverage and move from the insurer's "service area," your coverage cannot be continued under the group plan.

**RETIREE HEALTH PLAN** - Retirees participating in the Retiree Health Plan, are not entitled to COBRA due to a loss of coverage, unless the loss is the result of the employer filing for Title 11 bankruptcy protection. Qualified dependents may still qualify for COBRA upon the death of the retiree and as described above.

**CHANGES IN NAME OR CONTACT INFORMATION** - employees are required to inform the Benefits Office of any changes in name, mailing address or phone number for either themselves or their dependents.

**BENEFIT PROVIDERS** - Health Benefits- United Healthcare; Vision Benefits- Spectera; Dental Benefit-: Delta Dental; Prescription Benefits- PharmaCare; Flexible Spending Account- Hirsch Financial Services

**QUESTIONS REGARDING COBRA** - If you have any questions regarding this notification of your COBRA rights, please feel free to contact Benefits at 301-644-5093 during working hours. This information is also available in the Summary Plan Description and from the Plan Administrator at FCPS 7630 Hayward Road, Frederick, MD 21702.