

## **Initial Notice COBRA Continuation of Coverage**

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." The following will explain your rights under the law and what should be done if you (or any covered dependent) experience a COBRA "qualifying event."

**This notification is an initial notification for your COBRA insurance should you lose the current coverage that you have initiated through NAU. If for any reason you lose your current coverage and experience any Qualifying Event explained below you will receive notification from NAU at that time.**

**COBRA LAW** - With the exception of church groups and the Federal Government, employers with twenty or more employees that provide health benefits are subject to offering 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 (and your covered dependents) 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 will be charged the company's group rate (plus a two percent administrative fee). These COBRA rates may (or may not) be less than premiums under a conversion so it is recommended that you contact the insurer directly to receive a quote on a conversion to individual plan. With many conversion plans, covered benefits are reduced. Under COBRA continuation, 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. Employers shall provide this notification within fourteen days from the date group coverage would be terminated (or as soon as administratively possible). The employee or dependent has the responsibility to notify our office of his/her desire to continue coverage within sixty days from the later of the date of notification or loss of coverage. Upon acceptance, the qualifier(s) would be notified of any enrollment forms that must be completed. Keep in mind, qualifiers electing continuation coverage are responsible for premiums back to the date termination from the plan would have occurred.

**QUALIFIER NOTIFICATION REQUIREMENT** - Northern Arizona University will know when certain qualifying events (i.e. reduced work hours, employment termination and death of an employee) occur. The Employee or Covered Dependent will be responsible for notifying our office of a Divorce, Legal Separation, Medicare Entitlement or when a dependent loses his/her "dependent status." **The employee or qualifying dependent has thirty days to notify our office of the qualifying event and their desire to continue coverage. If we are not notified within this time frame, COBRA continuation cannot be offered.**

**COBRA QUALIFYING EVENTS** - Listed below are qualifying events for which the employee and/or covered dependents are able to continue their health coverage under the COBRA legislation. As shown, the maximum continuation coverage time frame depends on the qualifying event experienced. For someone to be considered a "qualified beneficiary," they must have been enrolled on the group plan on the day prior to the qualifying event. One exception to this rule is when a child is born to (or placed for adoption with) an employee during the COBRA continuation period. These children will receive all rights of a qualified beneficiary throughout the COBRA continuation period.

### **Qualifying Events That Yield a Maximum of Eighteen 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 Thirty-six Months  
(Experienced by a covered Dependent)**

- 1) Death of the Employee;
- 2) Divorce or legal separation;
- 3) Employee is entitled to Medicare but dependents are not;
- 4) Dependent Child who no longer meets the insurer's definition of a "dependent".

**DISABILITY EXTENSION** - In the event of an employee's termination or reduction in work hours, employees or covered dependents that 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 eleven months of coverage (yielding a total of twenty-nine months). For this extension to apply, evidence of disability under the Social Security Act must be provided to the employer within the initial eighteen month continuation coverage time frame and within sixty days from the date of the Social Security Administration's determination.

**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 twelve 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 eighteen months from the date benefits are terminated. (FMLA does not apply to all organizations and can differ between states. Please contact a company representative for further information on FMLA.)

**MULTIPLE QUALIFYING EVENTS** - If an employee elects to continue coverage upon experiencing a termination or reduced work hours and a covered dependent experiences a second (or "multiple") qualifying event, the dependent is eligible to increase his/her maximum time frame under COBRA from eighteen (or twenty-nine if disabled) to thirty-six months. The maximum continuation period for any qualifying event is thirty-six months. As stated earlier, it is the responsibility of the employee or covered dependent to notify our office within sixty days of the second qualifying event. Employees who first experience a reduction in work hours followed by termination of employment shall only be eligible for eighteen months of continuation coverage.

**COBRA TERMINATION** - COBRA continuation coverage has maximum time frames but you may voluntarily terminate coverage at anytime by notifying our office 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 one or more plans you are continuing for all similarly situated active employees;
- 2) COBRA premiums are not paid in a timely manner;
- 3) If the employee and/or covered dependents become covered under another group plan. (However, 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);
- 4) A COBRA Participant becomes entitled to Medicare (meaning enrolled in Parts A and/or B). Dependent's continuation coverage may be extended to thirty-six months upon notifying our office of the employee's Medicare entitlement;
- 5) Coverage may be terminated "for cause" for fraudulent claims or other activities in which a similarly situated active employee would be terminated; or
- 6) If a "disabled" participant is deemed to be no longer disabled during the eleven month extension, the entire family unit may be terminated from COBRA.

**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 Northern Arizona University for similarly situated active employees plus a 2% administration fee. Participants deemed disabled may be charged a 50% administration fee during their eleven month extension. (If the disabled participant is removed from the plan, the remaining family unit's administration fee would be reduced to 2%.) If the insurer delivers a premium increase or reduction, the COBRA participant's premiums will be adjusted accordingly. Premium rates are set for twelve month periods based upon the Plan Year.

If you elect to continue under COBRA, you will be granted an initial forty-five day grace period to make your payment. Subsequent payments will have a thirty-one day grace period. If premiums are not received within the allotted grace period, COBRA coverage will be terminated back to date for which premiums were applied. Our firm asks for full payment by the first of the month but will accept multiple payments (equaling the total monthly premium due) throughout the month of coverage.

**COVERAGE UNDER COBRA** - Since COBRA is a continuation of benefits, your coverage/benefits would remain the same as prior to the qualifying event. If the company elects to change plans and/or benefits, you would be eligible to enroll in the changed plan therefore receiving identical benefits as a similarly situated active employee. If your plan has deductibles and coinsurance maximums, a new determination will be made based upon expenses incurred prior to the qualifying event of only family members continuing under the plan.

COBRA Participants that move from the plan's service area may lose coverage under the group plan (as would a similarly situated active employee). If our firm offers a plan that would provide coverage in the new area, the COBRA Participant would be offered the right to enroll in the new plan.

The law states that a COBRA Participant may be terminated from a plan upon receiving other coverage. It should be understood that if an individual was enrolled on a plan (i.e. Medicare) prior to their COBRA election, they will still have the right to continue coverage under COBRA.

If an individual is denied coverage under a plan and is later determined that the denial was invalid, the individual will be reinstated and offered COBRA if a qualifying event was experienced.

**OPEN ENROLLMENT** -COBRA Participants are offered the same rights as similarly situated active employees during Open Enrollment. They may change plans and add/delete eligible dependents. Although part of the family unit, dependents added during Open Enrollment will not have the same COBRA rights as the initial qualified beneficiaries.

**CONVERSION TO AN INDIVIDUAL PLAN** - A conversion plan allows individuals covered under a group plan to convert their coverage to an individual plan without a lapse in coverage or pre-existing condition limitations upon termination from the group plan. Not all group plans are subject to offering a conversion. If you are enrolled in a plan that allows conversions, our firm will send notification explaining conversion privileges in the last 180 days of your COBRA term.

**HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT OF 1996 (HIPAA)** - The scope of HIPAA is to eliminate barriers for individuals (mainly people with medical pre-existing conditions that would have difficulty obtaining immediate coverage) who lose coverage and want to find some form of replacement plan. The law limits a plan's "pre-existing condition limitation time frame" to twelve months for newly enrolling individuals and provides credit for prior coverage. A Certificate of Coverage will be provided when you terminate from a group plan that illustrates coverage under that program. This certificate should be shown to a new employer to receive the one month credit for every month of prior coverage. Keep in mind, that if there is a break in coverage greater than sixty-three days, the new employer does not have to provide any prior coverage credit.

In addition, if you elect COBRA and exhaust either the eighteen or thirty-six month 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). 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 weeks. This provision only eliminates the 10% penalty fee and not the standard income tax.

**QUESTIONS REGARDING COBRA** - If you have any questions regarding this notification of your COBRA rights, please feel free to contact our office at (928) 523-2223 during working hours.