





COBRA

2020

Important information



This presentation contains an abbreviated description of insurance benefits provided by or through PEBA. The plan of benefits documents and benefits contracts contain complete descriptions of the health and dental plans and all other insurance benefits. Their terms and conditions govern all health benefits offered by or through PEBA.

2

Important information



- This overview is not meant to serve as a comprehensive description of the insurance benefits offered by PEBA.
- More information can be found in the following:
 - [Benefits Administrator Manual](#); and
 - [Insurance Benefits Guide](#).

3



COBRA

Continuation of coverage

4

COBRA



- Consolidated Omnibus Budget Reconciliation Act.
- Effective July 1, 1986.
- Prevents covered employees and their dependents from losing group health, dental, vision, and/or medical spending account coverage as a result of certain qualifying events.
- All employers participating in PEBA's insurance benefits are subject to COBRA, **regardless of the number of employees.**

5

Benefits administrator responsibilities



- Make eligible subscribers¹ and dependents aware of their COBRA rights and responsibilities.
- Offer COBRA coverage to qualified beneficiaries.
- Document your actions in the employee's file.

¹If an employee is determined to never have been eligible for coverage while employed, he and his dependents are not eligible for COBRA.

6



Who is a qualified beneficiary? 

- Individual eligible to continue coverage if coverage is lost due to qualifying event.
- Must be covered on day before qualifying event.
- Each qualified beneficiary has independent rights to elect COBRA.

8

Who is a qualified beneficiary? 

- Active and retired employees.
- Spouses and dependent children of employees or retirees.
- Newborns or children placed for adoption with the covered former employee or retiree.
 - If added to COBRA coverage within 31 days of birth or adoption, or during open enrollment.

9

Who is not a qualified beneficiary?



- Individuals not meeting the definition of qualified beneficiaries who are added as dependents onto a qualified beneficiary's coverage during open enrollment or because of a special eligibility situation.
- Newborn or adopted children placed with individual on COBRA who is not the covered former employee or retiree.
- Non-resident aliens with no source of income in U.S.

10

Example



- Single employee leaves employment on May 31, 2020, and elects COBRA for himself:
 - Employee is a qualified beneficiary.
- Former employee gets married on November 1, 2020:
 - New spouse is **not** a qualified beneficiary because spouse was not on coverage at time of COBRA offering.
 - Spouse is added to COBRA within 31 days of marriage.
- Former employee dies December 12, 2020:
 - Spouse's coverage ends on December 12, 2020.

11

**COBRA
documents**

12

COBRA documents



- Available online at www.peba.sc.gov/iforms.html.
- COBRA Notice of Election form.
- Under COBRA:
 - COBRA sample initial instruction sheet, cover page and notification letter (For all gains of coverage).
 - COBRA sample 18-month instruction sheet and notification letter.
 - COBRA sample 36-month instruction sheet and notification letter.
 - Notice of COBRA Qualifying Event.
 - COBRA Ineligibility Form for Dependents.
 - Notice to Extend COBRA Continuation Coverage.
 - Notice to Terminate COBRA Continuation Coverage.
- COBRA premiums.

13

Initial COBRA notice

First required notice

14

Initial COBRA notice



- Summarizes COBRA law and procedures.
- Outlines obligations of employers.
- Explains the rights and responsibilities of employees and dependents.

15

When to send initial COBRA notice



- New employee enrolls in health, dental, vision, or Medical Spending Account.
- Employee adds spouse or child due to special eligibility situation.
- Employee elects coverage for himself or dependents during open enrollment.

16

Federal mailing requirements



- Send notice via first-class mail to each covered employee and spouse.
- Notification to covered spouse is notification to all covered dependents.
- If employee and dependents live separately, mail notice to each address.
- No proof of receipt is required.

17

Federal hand delivery requirements



- Employee must sign for receipt of notice.
- Not considered a notice to covered spouse.
- Not considered a notice to covered dependent children.

18

Tips



- PEBA recommends mailing all notices.
- Keep **complete** copies of all notices in employee's file.
- Important note on National Medical Support Notices:
 - Do not file copies of dependent notices in the employee's file. File these notices separately.

19

Second COBRA notice

Second required notice

20

Second COBRA notice



- Advises individuals of their rights and responsibilities to continue coverage.
- Explains procedures for electing coverage.
- Include COBRA Notice of Election form.
- Include copy of current COBRA premiums.

21

18-month qualifying events



- Termination of employment.
- Transfer to another employer offering PEBA insurance coverage.
- Retirement.
- Reduction in hours (not in a stability period or no longer eligible at the end of the initial or standard stability period).
- If employee is terminated due to gross misconduct, ask your legal counsel before offering COBRA.

22

Unpaid leave or reduction of hours



- If employee is not within a stability period, is no longer eligible for coverage at the end of a stability period or on protected leave, a reduction of hours (below 30 hours per week) makes the employee ineligible for insurance benefits.
- Employer should terminate coverage due to no longer being eligible for insurance benefits and offer COBRA.

23

36-month qualifying events



- Divorce.
- A surviving spouse remarries.
- Child loses eligibility as dependent.
- Employees and their dependents who lose eligibility due to military leave.

24

Military leave



- Continue coverage:
 - Send nothing to PEBA.
 - Obtain written permission from employee to continue coverage and bill for premiums.
 - Provide Your insurance benefits when your hours are reduced notice.

25

Military leave



- Cancel coverage:
 - Complete Active Termination Form.
 - Attach a copy of military orders.
 - Provide Your insurance benefits when your hours are reduced notice.
 - Offer 36 months of COBRA and conversion information (if applicable).

26

60-day notification rule



- In cases of divorce or if a child ceases to qualify as an eligible dependent, the Plan must be notified within 60 days after:
 - The date of the qualifying event, or
 - The date the dependent would lose coverage on account of the qualifying event, whichever is later.
- After day 60, no longer eligible for COBRA coverage.

27

When to send COBRA 18-month notice



- Must send notice to employee and dependent(s) within 14 days.
- Subscriber may elect COBRA coverage within 60 days of:
 - Loss of coverage; or
 - COBRA notification, whichever is later.

28

When to send COBRA 36-month notice



- Must send notice to qualified beneficiary within 14 days.
- Subscriber may elect COBRA coverage within 60 days of:
 - Loss of coverage; or
 - COBRA notification, whichever is later.

29

COBRA ineligibility form



- Use COBRA Ineligibility Form for Dependents to determine if COBRA should be offered.
 - Former spouse.
 - Ineligible child.

30

Example of COBRA ineligibility



- January 1, 2020 – Husband dropped from employee coverage during Open Enrollment (October 2019).
- February 20, 2020 – Husband reports he and employee have been divorced since November 19, 2019.
- Divorce reported outside of 60 days therefore do **not** offer COBRA. Employee and husband did not comply with Initial COBRA Notice instructions.
- Document employee file with *Ineligibility Form*.

31

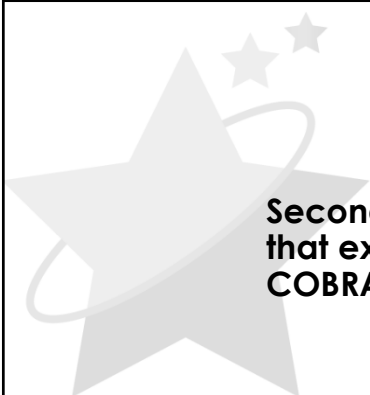
Tips



- PEBA recommends mailing all notices.
- Keep **complete** copies of all notices in employee's file.
- Important note on National Medical Support Notices:
 - Do not file copies of dependent notices in the employee's file. File these notices separately.

32

Second events that extend COBRA coverage



33

Type of second qualifying events



- Approval for Social Security disability (29-months).
- Death of the former employee.
- Divorce from former employee.
- Dependent child no longer eligible as dependent.

34

Second qualifying event



- Must occur within 18-month or 29-month coverage period.
- Must be reported within 60 days of the second event.
- Reported on the Notice to Extend COBRA Continuation Coverage.
- **Never** extend coverage beyond 36 months from original COBRA eligibility date.

35

Qualifying events to extend coverage to 29-months



- 18-month coverage extends if qualified beneficiary is approved for Social Security disability benefits.
- The qualified beneficiary must:
 - Be approved for disability by Social Security Administration within initial 18-month COBRA period; or
 - Be disabled at time of qualifying event or during first 60 days COBRA coverage.

36

Qualifying events to extend coverage to 29-months



- The qualified beneficiary must also report to PEBA within 60 days of:
 - The date of Social Security's *Disability Determination Notification*;
 - The date of the qualifying event;
 - The date on which the qualified beneficiary is informed of the responsibility to notify the Plan of the disability determination; or
 - The date the qualified beneficiary lost coverage or would lose coverage because of the qualifying event, whichever date occurs the latest.

37

Second qualifying event example



- Employee leaves employment on April 30, 2020, and elects COBRA for himself and his spouse.
 - Both are qualified beneficiaries.
- Employee and spouse have child on June 9, 2020.
 - The newborn (qualified beneficiary) may be added to COBRA within 31 days of birth.
- Social Security Administration deems the child disabled since birth.
 - COBRA coverage extended to 29 months from the original COBRA effective date for all qualified beneficiaries.

38

Qualifying events to extend 18-months to 36-months



- Death of former employee.
- Divorce from former employee.
- Dependent child's loss of eligibility.

39

Second qualifying event example



- Employee leaves employment on July 31, 2020, and elects COBRA for himself and his child.
 - Both former employee and child are qualified beneficiaries.
- The child turns 26.
 - The child is no longer eligible as dependent on former employee's COBRA.
 - The child is eligible for extension of COBRA ending 36 months from initial COBRA effective date.

40

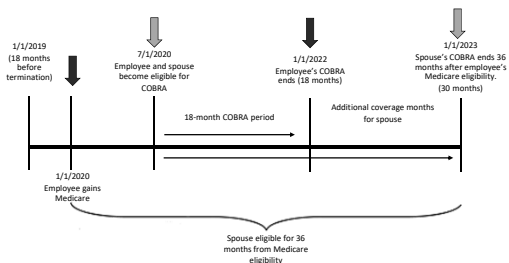
Medicare entitlement rule



- If covered employee became eligible for Medicare within 18 months before the qualifying event occurred, the maximum period of COBRA coverage for his covered dependents is 36 months after the covered employee became eligible for Medicare.

41

Medicare entitlement rule example



42



Third COBRA notice
COBRA termination notice

43

Third COBRA notice



- PEBA mails via first class mail to the last known address.
- Informs qualified beneficiaries when coverage will end.
- Includes *Certificate of Creditable Coverage*.

44



Enrollment and premiums

45

Administration of benefits



- PEBA administers COBRA benefits for subscribers of
 - State agencies;
 - School districts; and
 - Higher education institutions.
- Optional employers administer COBRA benefits for subscribers.
 - Must sign COBRA Notice of Election form.
 - Collect all COBRA premiums.
 - Remit payment to PEBA.

46

Initial premium payment period



- 45 days from date of COBRA election.
- Must include premiums back to date of loss of coverage.
 - Potential for high retroactive premiums due to 60-day notification rule.
- Coverage for PEBA-administered COBRA subscribers will not be activated until premium is received.

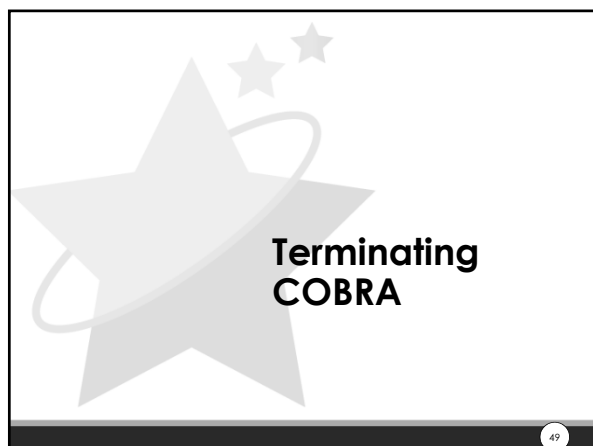
47

After initial payment



- Monthly payments due on the 10 of each month.
- 30-day grace period from due date of unpaid premium.

48



Reasons to end coverage

- Gain of other group health coverage, including Medicare.
- Loss of eligibility for Social Security disability benefits.
- Voluntary termination of COBRA.
 - Will not be able to get a Marketplace plan except during open enrollment.
 - If, after the end of the election period, decides to terminate COBRA coverage early, will not be able to change mind and get COBRA coverage later.
- Notice to Terminate COBRA Continuation Coverage.

50

Non-payment of premiums

- Submit COBRA Notice Of Election form.
 - Mark Action as *Termination Due to Non-Payment of Premiums*.
 - Does not require subscriber's signature.
 - When subscriber has not made a full payment, submit as soon as 30-day grace period ends to avoid being billed by PEBA.

51



COBRA reminders

- Qualified beneficiaries must notify their COBRA administrator within 60 days of divorce, loss of dependent status, or date coverage would have been lost, whichever is later.
- Premiums are due on the 10th of each month.
- PEBA will only refund premiums back to 30 days.

53

Get social with PEBA

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54

Disclaimer



This presentation does not constitute a comprehensive or binding representation regarding the employee benefits offered by the South Carolina Public Employee Benefit Authority (PEBA). The terms and conditions of the retirement and insurance benefit plans offered by PEBA are set out in the applicable statutes and plan documents and are subject to change. Please contact PEBA for the most current information. The language used in this presentation does not create any contractual rights or entitlements for any person.

55
