

Continuation of Health Benefits Under COBRA

State Health Benefits Program • School Employees' Health Benefits Program

WHAT IS COBRA?

The federal Consolidated Omnibus Budget Reconciliation Act (COBRA) of 1985 requires that most employers sponsoring group health plans offer employees and their eligible dependents — also known under COBRA as “qualified beneficiaries” — the opportunity to temporarily extend their group health coverage in certain instances where coverage under the plan would otherwise end. For State Health Benefits Program (SHBP) and School Employees' Health Benefits Program (SEHBP) participants, COBRA is not a separate health program; it is a continuation of SHBP or SEHBP coverage under the provisions of the federal law.

WHO IS ELIGIBLE FOR COBRA?

Employees enrolled in the SHBP or SEHBP may continue coverage under COBRA, in any plan that the employee is eligible for, if coverage ends because of a:

- Reduction in working hours;
- Leave of absence; or
- Termination of employment for reasons other than gross misconduct.

Spouses, civil union partners, or eligible same-sex domestic partners* of employees enrolled in the SHBP or SEHBP may continue coverage under COBRA, in any plan that the employee is eligible for, if coverage ends because of the:

- Death of the employee;
- End of the employee's coverage due to a reduction in working hours, leave of absence, or termination of employment for reasons other than gross misconduct;

- Divorce or legal separation of the employee and spouse;
- Dissolution of a civil union or domestic partnership; or
- Election of Medicare as the employee's primary insurance carrier (requires dropping the group coverage carried as an active employee).

Dependent children under age 23 may continue coverage under COBRA if the following occurs:

- Death of the employee;
- End of the employee's coverage due to a reduction in working hours, leave of absence, or termination of employment for reasons other than gross misconduct; or
- Election of Medicare as the employee's primary insurance carrier (requires dropping the group coverage carried as an active employee).

Note: Each “qualified beneficiary” may independently elect COBRA coverage to continue in any or all of the coverage you had as an active employee or dependent (medical, prescription drug, dental, and/or vision). You and/or your dependents may change your medical and/or dental plan when you enroll in COBRA. You may also elect to cover the same dependents you had as an active employee, or you can delete dependents to reduce your level of coverage. However, you cannot increase the level of your coverage, except during the annual Open Enrollment period, unless a qualifying event occurs (birth, adoption, marriage, civil union, eligible domestic partnership) and you notify the Division of Pensions and Benefits' COBRA Administrator within 60 days of the qualifying event.

**For more information about health benefits for domestic partners, including eligibility requirements, see Fact Sheet #71, Benefits Under the Domestic Partnership Act. For more information about health benefits for civil union partners see Fact Sheet #75, Civil Unions.*

HOW LONG WILL COBRA COVERAGE LAST?

The length of your COBRA coverage continuation depends on the nature of the COBRA qualifying event that entitled you to the coverage.

- For loss of coverage due to termination of employment, reduction of hours, or leave of absence, the employee and/or dependents are entitled to 18 months of COBRA coverage. Time on leave of absence just before enrollment in COBRA, unless under the federal and/or State Family Leave Act, counts toward the 18-month period and will be subtracted from the 18 months. Time a member spends on federal or State leave will not count as part of the COBRA eligibility period.
- If you receive a Social Security Administration disability determination for an illness or injury you had when you enrolled in COBRA or incurred within 60 days of enrollment, you and your covered dependents are entitled to an extra 11 months of coverage up to a maximum of 29 months of COBRA coverage. You must provide proof within 60 days of the disability determination from the Social Security Administration or within 60 days of COBRA enrollment.
- For loss of coverage due to the death of the employee, divorce or legal separation, dissolution of a civil union or domestic partnership, other dependent ineligibility, or Medicare entitlement, the continuation term for dependents is 36 months.

HOW MUCH WILL I PAY FOR COVERAGE?

You are responsible for paying the cost of your coverage under COBRA which is the full group rate plus a 2 percent administration fee. The Division of Pensions and Benefits will bill you on a monthly basis.

EMPLOYEE / QUALIFIED BENEFICIARY RESPONSIBILITIES UNDER COBRA

The law requires that employees and/or their dependents:

- Keep your employer and the Division of Pensions and Benefits informed of any changes to the address information of all possible “qualified beneficiaries.”
- Notify your employer that a divorce, legal separation, dissolution of a civil union or domestic partnership, or the death of the employee has occurred or that a dependent child has married, entered into a civil union or domestic partnership, moved out of the household, or reached age 23 — notification must be given within 60 days of the date the event occurred (If you do not inform your employer of the change in dependent status within the 60 day requirement, you may forfeit your dependent’s right to COBRA);
- File a *COBRA Application* within 60 days of the loss of coverage or the date of the *COBRA Notice* provided by your employer, whichever is later;
- Pay the required monthly premiums in a timely manner;
- Pay premiums, when billed, retroactive to the date of group coverage termination;
- Notify the Division of Pensions and Benefits’ COBRA Administrator, in writing, of any second qualifying event that results in an extension of the maximum coverage period (see How Long Will COBRA Coverage Last? at left);
- Notify the Division of Pensions and Benefits’ COBRA Administrator, in writing, of a Social Security Administration disability award within 60 days of receipt of the award, or within 60 days of COBRA enrollment (this will extend the maximum COBRA coverage period from 18 months to 29 months — see How Long Will COBRA Coverage Last? at left); and
- Provide notice of any determination that a “qualified beneficiary” who had received a dis-

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ability extension is no longer disabled. This notice must be sent to the Division of Pensions and Benefits' COBRA Administrator within 30 days of determination by the Social Security Administration. Failure to provide timely notification may result in adjustments to any claims paid erroneously.

EMPLOYER RESPONSIBILITIES UNDER COBRA

The COBRA law requires employers to:

- Notify employees and their dependents of the COBRA provisions within 90 days of when the employee and their dependents are first enrolled in the SHBP or SEHBP by mailing a notification letter to their home;
- Notify employees, their spouse or partner, and their children of the right to purchase continued coverage within 14 days of receiving notice that there has been a COBRA qualifying event that causes a loss of coverage;
- Send the *COBRA Notification Letter* and a *COBRA Application* within 14 days of receiving notice that a COBRA qualifying event has occurred. The notice outlines the right to purchase continued health coverage, gives the date coverage will end, and the period of time over which coverage may be extended;
- Notify the Division of Pensions and Benefits within *30 days* of the date of an employee/dependent's qualifying event or loss of coverage. (An employee's loss of coverage is reported by completing a *Transmittal of Deletions Sheet*. A dependent's loss of coverage is reported through the Division's receipt of a completed health benefit application terminating the dependent's coverage.).
- Maintain records documenting their compliance with the COBRA law.

ENROLLING FOR COBRA COVERAGE

The employee and/or the dependent seeking coverage is responsible for submitting a properly completed *COBRA Application* to the Health

Benefits Bureau of the Division of Pensions and Benefits. This application must be filed within 60 days of the loss of coverage or of the date of employer notification, whichever is later. Failure to submit the application within the time frame allowed by law is considered a decision not to enroll.

- In considering whether to elect continuation of coverage under COBRA, you should take into account that you cannot enroll at a later date and that a failure to continue your group health coverage may affect your future rights under federal law (see *Failure to Elect COBRA Coverage*, below).
- If you are retiring, you may be eligible for lifetime health, prescription drug, and dental coverage through the Retired Group of the SHBP or SEHBP. Consult your employer or the Division of Pensions and Benefits prior to enrolling for these benefits under COBRA.

FAILURE TO ELECT COBRA COVERAGE

In considering whether to elect continuation of coverage under COBRA, a "qualified beneficiary" should take into account that a failure to continue group health coverage will affect future rights under federal law.

- First, you can lose the right to avoid having pre-existing condition exclusions applied to you by other group health plans if you have more than a 63-day gap in health coverage. The election of continuation of coverage under COBRA may help you to bridge such a gap (see information about pre-existing conditions under *Termination of COBRA Coverage* on page 4).
- Second, you will lose the guaranteed right to purchase individual health insurance policies that do not impose pre-existing condition exclusions if you do not continue coverage under COBRA for the maximum time available to you.
- Finally, you should take into account that you have special enrollment rights under federal law. You have the right to request special enrollment in another group health plan for which you are otherwise eligible (such as a plan sponsored by your spouse's/partner's employ-

er) within 30 days of the date your group coverage ends. You will also have the same special enrollment right at the end of the COBRA coverage period provided the continuation of coverage under COBRA is for the maximum time available to you.

AFTER YOU HAVE ENROLLED IN COBRA

You should be aware of the following information after you have enrolled in COBRA:

- Bills will be sent from the Division of Pensions and Benefits/Health Benefits Bureau. Any billing questions must be referred to the:

COBRA Administrator
Division of Pensions and Benefits
Health Benefits Bureau
PO Box 299
Trenton, NJ 08625-0299

or you may call the Division's **Office of Client Services at (609) 292-7524**.

- You will be billed monthly. Accounts delinquent over 45 days will be closed and insurance coverage terminated. If you do not receive a monthly bill or misplace it, contact the Office of Client Services. **It is your responsibility to make payment on a timely basis.**
- Once you are enrolled in COBRA, claims are handled just like active employee claims (i.e. using the same claim forms and procedures). However, you must indicate your status as a COBRA participant on all claim forms (this will help prevent claim processing issues. All COBRA premiums must also be paid through the date of the claim in order for the claim to be processed). **Questions about claims should be directed to the insurance carriers.** The single exception is that vision plan claims are sent directly to the COBRA Administrator at the address shown above.
- Plan administration under COBRA follows the same rules as for active employees. However, all activity is processed through the COBRA Administrator rather than the former employer.

COBRA subscribers are permitted to change medical and/or dental plans and/or add coverage during the annual Open Enrollment period (in the fall) through the COBRA Administrator. All COBRA enrollees will receive Open Enrollment information mailed directly to their address on file with the SHBP or SEHBP.

- All changes in coverage due to a "qualifying event" (for example: the birth of a child, a marriage, civil union, divorce, a death, etc.) must be made in writing to the COBRA Administrator at the address previously provided.

Upon receipt of your letter, you will be sent a COBRA change form. To increase coverage, you have 60 days from the date of the qualifying event to make the change. To change plans, because you have moved out of your plan's service area, you have 30 days to make the change. These changes must be requested within the specified time frames, otherwise they may only be made during the Open Enrollment period. You may decrease your coverage (delete a dependent) at any time.

TERMINATION OF COBRA COVERAGE

Your COBRA benefits under the SHBP or SEHBP will terminate for any of the following reasons:

- Your employer (or former employer) no longer provides SHBP or SEHBP coverage to any of its employees. In this case, your employer will give you the opportunity to continue COBRA coverage through their new insurance plan for the balance of your COBRA continuation period;
- You become covered under another group plan as either an employee or dependent after you elect COBRA coverage (unless that plan has a pre-existing condition clause). If, after enrolling in COBRA you obtain new coverage which has a pre-existing condition clause, you may continue your COBRA enrollment at full cost for coverage of the condition excluded by the pre-existing condition clause. To be eligible for the continued COBRA coverage you will have to provide information about the pre-existing con-

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dition clause to the COBRA administrator and **only the pre-existing condition will be covered.** You will be allowed to continue your COBRA coverage to its normal end date or when the pre-existing condition clause ends, whichever comes first;

- You become eligible for Medicare after you elect COBRA coverage (affects medical insurance coverage only, does not affect dental, prescription drug, or vision care coverage);
- Your fail to pay your premiums; or
- Your eligible coverage continuation period ends.

CONVERSION OF COBRA COVERAGE

The COBRA law provides that you must be allowed to enroll in an individual, non-group policy of the same health plan provided under the SHBP or SEHBP at the end of your COBRA enrollment period. You must complete your full coverage continuation period. Contact the health plan for details.

Note: There are no conversion provisions for prescription drug or dental coverage.

MORE INFORMATION

If you need additional information about COBRA, see your Human Resources Representative or

Benefits Administrator, or contact the Division of Pensions and Benefits Office of Client Services at (609) 292-7524, or send an e-mail to:

pensions.nj@treas.state.nj.us

A NOTE ABOUT COVERAGE FOR CHILDREN AGE 23 UNTIL AGE 31

The Division of Pensions and Benefits has specific guidelines about providing health coverage to children past the age of 23 until age 31 due to the enactment of Chapter 375, P.L. 2005. A child who attains age 23 and needs continued coverage can select either COBRA coverage or Chapter 375 coverage for medical benefits. Rates for COBRA coverage and Chapter 375 coverage can change annually, be sure to compare the rates prior to enrolling in either program. To see a cost comparison, go to the Division of Pensions and Benefits Web site at:

www.state.nj.us/treasury/pensions/cobrav375.htm

Chapter 375 does not cover vision or dental benefits. If your child wishes to obtain those coverages, he or she must apply for them under COBRA.

The eligibility requirements for Chapter 375 are outlined in Fact Sheet #74, *Health Benefit Coverage of Children Until Age 31 Under Chapter 375*, which is available on our Web site.

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This fact sheet is a summary and not intended to provide total information.

Although every attempt at accuracy is made, it cannot be guaranteed.
