

COBRA



Information for employers about COBRA for terminated employees

Federal COBRA

- ◆ Applies to employers with 20 or more employees.
- ◆ Applies to voluntary or involuntary termination of employment (for reasons other than gross misconduct), and loss of coverage due to a reduction in the number of hours of employment.
- ◆ Generally extends group coverage and group rates for up to 18 months (up to 29 months for disability, 36 Months for divorce/separation, employee enrollment in Medicare, death of an employee, and loss of “dependent child” status under the plan).
- ◆ The beneficiary generally pays the full monthly cost of coverage, and the employer may charge the beneficiary up to 2% of the premium for administrative expenses.
- ◆ While the Affordable Care Act (ACA) did not alter the federal COBRA statute, it did make COBRA much less relevant as exchanges now make comprehensive coverage in the individual market very easy to obtain and at competitive prices.
- ◆ COBRA is an employer requirement; not a carrier (or exchange) requirement and the intent of COBRA is to treat the terminated employee as if he is an active employee.
- ◆ If the beneficiary elects federal COBRA, what is the impact in the HSRI group plan? The cost of the employee’s coverage will be based on the composite rates for the group – not the list bill rate. The list bill rate, which would reflect only the age of the beneficiary (and any covered dependents) would not fulfill the COBRA requirement that the beneficiary be treated like an active employee. The employee contribution will be equal to 100% of the original composite rate, as employee contributions are fixed at that time. The HSRI invoice to the employer will include a “C” to designate a COBRA beneficiary, as the enrollee will be responsible to contribute the entire composite rate.

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What should a terminated employee do—elect COBRA or enroll in HealthSource RI for individuals and families?

- ◆ Terminated employees should consider HealthSource RI for individuals and families as they may be eligible for an advanced premium tax credit (APTC) to help pay for the cost of coverage (Medicaid may also be another option). For terminated employees who are unsure when another job and income may be available, the subsidized cost of care might be particularly helpful. The terminated employee should always compare the available options under both COBRA and HealthSource RI for individuals and families.
- ◆ Having access to COBRA, unlike having access to affordable coverage as a current employee, does not disqualify a former employee from being eligible for APTCs.
- ◆ Terminated employees should make sure to check their options before enrolling in COBRA. When a beneficiary enrolls in COBRA for any length of time, they invalidate their eligibility to enroll in HealthSource RI under a Special Enrollment Period (SEP) until either the COBRA coverage runs out or the next Open Enrollment period. This includes those situations when an employer voluntarily elects to pay for COBRA coverage for a terminating employee.

You can apply for Individual and Family coverage at HealthSource RI by visiting www.healthsourceri.com or by calling 1-855-840-4774. You can also learn more about Medicaid and Rite Care by contacting the Rhode Island Department of Human Services at 1-855-574-2856 or by visiting EOHHS.RI.gov.

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Rhode Island Extended Benefits (sometimes called “Mini-COBRA”)

- ◆ Applies to employers with 2-19 employees.
- ◆ Applies to involuntary layoffs, death of the employee, or as a result of the workplace ceasing to exist.
- ◆ The beneficiary generally pays the full monthly cost of coverage.
- ◆ Generally extends group coverage and group rates for up to 18 months (or for no more than the number of months of the employee’s period of continuous employment preceding termination when such employment was shorter than 18 months).
- ◆ If the beneficiary elects Extended Benefits, what is the impact in the HSRI group plan? The beneficiary will be removed from the active group and re-enrolled in a separate group assigned to the employer for the beneficiary. The cost of the employee’s coverage will be based on the list bill rate, which reflects the age of the beneficiary (and any covered dependents). The employer’s invoice will exclude the separate group billing for the Extended Benefits enrollee. The enrollee will receive and pay a separate bill.