



## CITY OF FORT WAYNE PLAN COBRA NOTIFICATION

Consolidated Omnibus Budget Reconciliation Act

**VERY IMPORTANT NOTICE!** Please share this information with your spouse 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** With the exception of church groups and the Federal Government, employers with twenty (20) or more employees (number of employees may vary by state) 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 to receive a quote. 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 (14) 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 their desire to continue coverage within sixty (60) 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, qualifier(s) electing continuation coverage are responsible for premiums back to the date termination from the plan would have occurred.

**PARTICIPANT NOTIFICATION REQUIREMENT** The City of Fort Wayne will not know when certain "qualifying events" occur. The Employee or Covered Dependent will be responsible for notifying our office of a Divorce, Legal Separation or when a dependent loses his/her "dependent status." The employee or affected dependent has sixty days (election period) 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.

The employee (and/or dependent) will not have coverage during the sixty day election period. Only if he/she elects to continue coverage and pays the applicable premiums will benefits be paid during this time frame.

**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. In the past, employers did not have to offer COBRA continuation to qualifiers that had alternative coverage (Medicare or other group insurance). A recent Supreme Court ruling stated that COBRA must be offered to qualifiers even if they have other coverage at the time of the "qualifying event."

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 the employer within the initial 18 month continuation coverage time frame and within 60 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 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.

**MULTIPLE QUALIFYING EVENTS** If an employee experiences termination, reduced work hours or is considered "disabled," elects to continue coverage and a covered dependent experiences a second "qualifying event," the dependent may increase their maximum time frame under COBRA from 18 (or 29 for a disability) to 36 months. The maximum continuation period for any qualifying event is thirty-six (36) months. As stated earlier, it is the responsibility of the employee or covered dependent to notify our office within 60 days of the second "qualifying event."

**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 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. (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); or
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 the City of Fort Wayne 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.

**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** 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 a coverage can be terminated from COBRA due to new coverage under another group plan.

The scope of the law 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. Effective dates for most of the provisions will vary depending on the contract renewal date of group plans but all employers should be responsible for the law by June 30, 1998.

The law limits a plan's "pre-existing condition limitation time frame" to twelve (12) 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 (63) days, the new employer does not have to provide any prior coverage credit. 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.

**ACCEPTANCE PROCEDURES** Upon receiving the COBRA Qualifying Event notification, the qualifier will be responsible for completing the appropriate forms and returning them to the administrator prior to the end of the sixty day election period. Even though there is a forty-five day grace period, we recommend that all premiums (back to the date coverage was terminated) be paid with the submission of the COBRA applications. From that point on, it is the qualifier/COBRA participant's responsibility to make premium payments in a timely fashion. COBRA premiums shall be prepaid and due on the first of the month. The law provides a thirty-one day grace period for all premium payments after the initial payment. If payment is not received within this time frame, COBRA coverage will be terminated.

**QUESTIONS REGARDING COBRA** If you have any questions regarding this notification of your COBRA rights, please feel free to contact The Benefits & Wellness Department during working hours.

