

**Dear HR Knowledge, do I need to offer my former employee COBRA?**

Losing their jobs can be a big financial hit for employees, but losing health benefits can be catastrophic. But the U.S. government has passed the Consolidated Omnibus Budget Reconciliation Act, commonly called COBRA, which gives some terminated workers the right to temporarily – for 18 months – continue participating in their former employer's group health plan. Many states have their own versions of the COBRA rules, as well.

However, just because your company picks up all or part of the cost for covered employees, it doesn't have to continue paying its part for departed employees. They must carry the entire load of health insurance themselves, and you're allowed to add a 2 percent administrative fee.

**What Are the Key Rules Under Federal COBRA?**

Your company comes under COBRA's provisions only if it has 20 or more employees. And each employee's qualifications under COBRA depends on his or her employment status, as explained below.

COBRA extends to former employees, retirees, spouses (current and former) and dependent children. These folks are eligible for COBRA only if the employee was terminated from his job or had his hours reduced for a reason other than gross misconduct. (There are some subtleties here, so check the guidance in the booklet noted below.)

If any of your employees qualify for COBRA, they must receive the same health care benefits they received when they were gainfully employed. Whatever changes you, the employer, make to the plan apply to COBRA participants as well.

COBRA begins the day an employee otherwise would have lost health care coverage and usually lasts for 18 months. If an employee or a member of their family is disabled, coverage may be extended coverage to 36 months. However, the Social Security Administration must agree that the employee is legitimately disabled and the premium costs are allowed to rise 150 percent for the extension.

An employee must make payments to COBRA within 45 days of the date he or she elected to participate and then at intervals set within the plan. If the account is more than 30 days past due, the plan can cancel coverage until the employee sends a check.

**What Are the Differences with State COBRA Plans?**

Many states offer their own COBRA plans that override certain aspects of the federal COBRA guidelines. For example, while federal COBRA is for employers with 20 or more employees, Massachusetts requires employers with 2-19 employees to offer COBRA benefits as well. In New York, employees and dependents are eligible for a maximum of



36 months of COBRA benefits, double the amount of the federal allowance. Since state COBRA plans can greatly differ from the offerings of federal COBRA, consult your state's regulations first.

These are just the basics; there are a lot more details. For additional information, check out the Department of Labor's [An Employer's Guide to Group Health Continuation Coverage Under COBRA](#) booklet. HR Knowledge has also prepared guides with information on [Massachusetts COBRA requirements](#) and [federal COBRA requirements](#). If you have more questions about COBRA, please [reach out to our benefits team](#) for assistance.

### **About HR Knowledge**

Founded in 2001, HR Knowledge, Inc. is a privately funded company providing integrated outsourced HR services tailored to our clients' needs. Our full array of offerings includes managed payroll, employee benefits administration, and HR consulting and support services, such as training, compliance, custom-built software solutions, and Hiring Process Management™, our comprehensive recruitment service that takes you from finding to onboarding new talent. Our major markets are fast-growing small- and medium-sized businesses, many of which are venture-capital-backed; foreign companies expanding into the states; and charter schools. Partnering with HR Knowledge can reduce your administrative costs, minimize your legal risk, help you find and develop talent, and alleviate the HR burden so that you can focus on your core business.

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