

Understanding COBRA; Continuing Your Coverage

If your health insurance coverage depends on your employment, as is the case with many people, you may be able to continue your coverage even after you leave your job. The end of employment no longer means the end of health insurance. The Consolidated Omnibus Budget Reconciliation Act of 1986, commonly known as COBRA, extends group health insurance coverage for people willing to pay for the coverage.

The Rules

- All employer funded health plans covering at least 20 employees - insured and self-insured, public sector and private sector - must offer employees and dependents the option of continuing group health insurance coverage when eligibility expires. The covered employees may have to pay the premium, however.
- Employees who are fired or leave their jobs for any reason (except gross misconduct) are entitled to continuing coverage for a period of up to 18 months. Their dependents are entitled to continued coverage for the same period of time.
- Divorced or separated spouses of active employees, and their dependents, may be covered for a period of up to 36 months. Widowed spouses and dependents of covered workers must similarly be offered coverage for a period of up to 36 months.
- Retirees with employer-paid health insurance are considered covered employees; their spouses are entitled to continue coverage after a divorce or the retiree's death.
- Coverage must provide the same health plan benefits that are offered to active workers. Coverage need not, however, include life or disability insurance.
- Coverage ends at the expiration of the designated period or when the individual secures health insurance through another employer (including a spouse's employer) or becomes entitled to Medicare benefits after the date of the COBRA election. It may also end if the employer discontinues group health insurance coverage for all employees or if the covered individual fails to pay premiums on time.

- Employers may charge up to 102 percent of actual premium costs, with the extra 2 percent serving to defray administrative expenses or 150 percent of actual premium costs during a disability extension.

Other Choices

You may find the continuation coverage too expensive. If so, you do have other choices.

One alternative would be to convert your group policy to an individual policy. You can usually do so without a medical exam and you will not have any gaps in coverage. On the down side, however, you'll find that such policies are usually far less comprehensive than the group coverage you're giving up.

Another alternative would be to take out an individual health insurance policy. Such policies may be expensive, but you should talk with your insurance agent about finding the right policy at the right price.