

NEW COBRA RULES ESTABLISHED

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The Internal Revenue Service's regulations covering health insurance benefits under the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) became effective on January 1, 2000. The regulations are helpful in that they clarify a number of issues without changing the basic COBRA rules. The highlights include a provision which states that employers can now require employees to accept or reject entire benefits packages, rather than providing the option of choosing only core medical coverage from a single plan that provides other benefits. However, employers must offer COBRA participants the same options as an active employee during open enrollment. Further, employees eligible to elect COBRA may select disability extension coverage if an eligible family member is disabled.

The new regulations make clear that a COBRA election will now be considered timely made on the date it is sent to the employer or the plan administrator. The regulations also provide that beneficiaries making COBRA premium payments which are not significantly less than the total due must be given 30 days to pay the shortfall, or the shortfall must be written off. Moreover, anyone, including hospitals, can make COBRA premium payments on behalf of a beneficiary.

The regulations state that, in qualifying for the exemption from COBRA for employers with fewer than 20 workers, independent contractors, sole proprietors, partners and corporate directors are not counted. (The regulations do not, however, affect Cal-COBRA rules which provide for continuation of coverage for employers with 2 to 20 employees.) The rules also state that employers cannot deny an employee the right to elect COBRA coverage because that employee already has other coverage. Finally, employers are now required to respond to health care providers who inquire on the status of an individual's COBRA coverage.

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