

Employer Responsibilities Under COBRA

Employers Participating in the State Health Benefits Program

WHAT IS COBRA?

COBRA is an acronym for the Federal Consolidated Omnibus Budget Reconciliation Act of 1985. COBRA gives employees, spouses, and dependent children currently enrolled under the State Health Benefits Program (SHBP) the opportunity to purchase continued health benefits for a limited period of time. COBRA applies to employees and dependents who would otherwise lose coverage as a result of a COBRA qualifying event. COBRA qualifying events include:

- work termination for reasons other than gross misconduct
- a reduction in work hours/leave of absence
- divorce or legal separation of a spouse
- death of the employee
- dependent ineligibility (i.e. child marries, is over the eligible age of 23, or moves out of household)
- Medicare becoming the primary insurance

The cost of your coverage under COBRA will amount to the full group rate plus a 2 percent administrative fee.

EMPLOYER'S RESPONSIBILITIES

As the employer, you have three basic responsibilities under COBRA:

- Provide new employees and their dependents information about COBRA.
- Provide employee and/or dependents a specific COBRA Notice when a COBRA event occurs.
- Maintain records that demonstrate your compliance with the COBRA law.

In addition, the employer has the responsibility to inform the (SHBP) of the loss of an employee's coverage by completion of a Transmittal of Deletions Sheet.

PROVIDE INITIAL INFORMATION TO NEW EMPLOYEES

COBRA requires you to notify your employees *and their covered dependents* of the provisions of COBRA upon enrollment in your health benefits program. The notification must be written and must be provided to the employee *and* covered eligible dependents. (NOTE: First class mail addressed "To the Family of" the employee sent to the home address meets this requirement. Hand delivery to the employee is NOT in compliance with the law). If an employee already enrolled in benefits adds a spouse to coverage, the spouse must be notified about COBRA. The SHBP has provided each employer with a COBRA package that includes an initial notification letter. The initial COBRA notification letter indicating "VERY IMPORTANT NOTICE" may be reproduced on your letterhead and mailed to your new employees and their dependents.

PROVIDE COBRA NOTICE AT QUALIFYING EVENT

When you are informed that a COBRA event has occurred, you must provide a specific COBRA Notice to the employee and/or dependents losing coverage within *14 days* of notification of the event. First class mail addressed "To the Family of" the employee sent to the home address meets this requirement. Hand delivery to the employee is NOT in compliance with the law if any dependents are affected. The COBRA Notice includes the notice itself, an application form, rates, and detailed instructions on completing the application. Instructions on how to complete the COBRA Notice have been provided to all employers participating in the SHBP.

The employee is responsible for notifying the employer of the occurrence of COBRA qualifying events such as:

- Divorce or legal separation
- Dependent ineligibility
- Medicare becoming the primary insurance

The employer is responsible for notification of COBRA qualifying events such as:

- Work termination for reasons other than gross misconduct
- Reduction of hours/leave of absence
- Death of the employee

The employee or employee's dependents have 60 days from the date of your notice or the last day of coverage to elect continued coverage. Those electing coverage must submit a properly completed New Jersey State Health Benefits COBRA Application form to the:

COBRA Administrator
Division of Pensions and Benefits
Health Benefits Bureau
PO Box 299
Trenton, New Jersey 08625-0299

If they do not choose continuation of coverage under COBRA, group health insurance coverage will terminate. Conversion to an individual non-group private insurance policy may be available to employees or dependents under circumstances where they do not qualify for COBRA coverage. Employees will have to request conversion from their health insurance plan.

MAINTAIN RECORDS

As the employer, you must be able to demonstrate that procedures are followed that ensure compliance with the COBRA law. You are required to establish the following:

- Written policy or procedure guides that encompass both initial notification of new employees and dependents and specific notice to employees and/or dependents when a COBRA event occurs.
- Evidence that the written policies are followed. For initial COBRA notification, this can be in the form of new employee orientation attendance sheets annotated that COBRA information was sent or copies of the first page of the

COBRA letter sent to new employees and their dependents. For actual COBRA events, a copy of the COBRA Notice should be placed in the employee's personnel file.

WHAT HAPPENS AFTER YOU SEND THE COBRA NOTICE?

Once you send the COBRA Notice to the employee and/or dependents, your official responsibilities are complete.

When the COBRA enrollment application is processed by the Health Benefits Bureau, a letter is sent to the new COBRA subscriber detailing when his or her COBRA coverage started and when it will end, how to file claims, and whom to contact with problems. However, the following information may be helpful if you need to assist COBRA participants:

- Once employees are enrolled in COBRA, their claims are handled just like active employee claims (i.e. using the same claim forms and procedures). **Members must indicate their status as COBRA participants, however, on all claim forms to prevent claims problems.** Questions about claims should be directed to the insurance carriers. The exception to normal processing for STATE employees is that Vision Plan claims are sent directly to the:

COBRA Administrator
Division of Pensions and Benefits
Health Benefits Bureau
PO Box 299
Trenton, New Jersey 08625-0299

- Questions about eligibility or changing or ending coverage should be directed to the COBRA Administrator at the address above. Calls about COBRA information are handled by Client Services at (609) 292-7524.

This fact sheet has been produced and distributed by:

**New Jersey Division of Pensions and Benefits • PO Box 295 • Trenton, New Jersey 08625-0295
(609) 292-7524 • TDD for the hearing impaired (609) 292-7718**

URL: <http://www.state.nj.us/treasury/pensions> • E-mail: pensions.nj@treas.state.nj.us

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