

Indiana Legal Services, Inc

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Health Insurance Coverage through COBRA

What is COBRA?

COBRA is the short name for a group of federal laws that deal with health insurance coverage.

COBRA allows the employee and certain family members who have been covered by an employer's health insurance plan to continue getting health insurance benefits even though they are no longer eligible for the employer's insurance. The employer will not pay for the health insurance, however. The family member who wants continued coverage will have to pay the insurance premiums.

COBRA is especially important when you (or a covered family member) have a medical condition that might be temporarily excluded from a new health plan because it is a "pre-existing" condition. In this situation, it is important to keep health insurance at all times if possible. Then it will be easier to get new health insurance in the future without pre-existing conditions exclusions.

Does COBRA apply to all employers?

Generally, COBRA applies to employers with 20 or more employees.

How do I know if I am entitled to COBRA benefits?

The employee, the employee's spouse, and the dependent child of an employee covered by an employer's health plan are all "qualified beneficiaries" who can get coverage under COBRA.

When does COBRA apply?

You lose your health insurance when certain things happen. COBRA applies when you lose your insurance in the following situations (called "qualifying events"):

- divorce or legal separation between the covered employee and spouse;
- death of a covered employee;
- loss of job (or decrease in hours) of covered employee (except when the employee is fired for gross misconduct);
- a child reaches the age when the plan no longer covers children;
- the covered employee becomes entitled to Medicare coverage; or
- the employer files bankruptcy under Chapter 11.

What if one of these events happens?

When one of these events happens, either the employer or the employee must tell the health plan administrator.

The employer must tell the administrator within 30 days of most of these “qualifying events.” However, the employee must tell the health plan administrator within 60 days of a divorce or legal separation or when a dependent child becomes too old for coverage.

Then the plan administrator has 14 days to send the employee and the necessary family members a notice, which tells how to continue health insurance benefits. The notice will also tell you the deadline for deciding whether to continue health insurance benefits.

What do I have to do to use COBRA?

If you want to continue health insurance, you must choose COBRA coverage within 60 days of notice from the plan administrator or 60 days from the loss of insurance coverage, whichever is later. When you choose COBRA coverage, you will have to pay the full premium payments for the health coverage. You will also have to pay for any premium payments that built up between when you lost insurance coverage and when you decide to accept COBRA coverage.

How much will my premiums cost under COBRA?

Your cost will depend on the cost of the insurance plan. You will be paying the amount the covered employee paid plus what the employer was paying for the health insurance plus up to 2% for administrative costs. It can be quite expensive.

What kind of insurance will I be able to get through COBRA?

The coverage will be the same coverage you had before. The employer cannot give different coverage to similar people just because one is getting insurance through COBRA. If the company changes policies for everyone, however, then your plan will change too.

How long can I continue to have coverage under COBRA?

If the covered employee was fired or her hours were reduced, you can have coverage under COBRA for 18 months. If you become disabled within the first two months of COBRA coverage, you can have coverage under COBRA for 29 months. In most other situations, the coverage can continue for 36 months. Special rules apply if Medicare eligibility occurs.

Coverage will end before these times if you don't pay the premiums or if the employer stops providing group health insurance to all her employees.

Examples of when you may want to pay for continued coverage under COBRA:

- You change jobs. You may want to pay for COBRA coverage until benefits at your new job begin so that you always have health insurance.
- You divorce your spouse who is the covered employee. You could continue your coverage until you get other health insurance.
- You lose your job. If you can afford the premiums, you can keep your health insurance while you search for a new job.
- You have a medical condition that requires coverage. Some insurance companies will temporarily refuse to cover a “pre-existing condition.” If you have continuous health insurance coverage, companies cannot refuse to cover a pre-existing condition.

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