

# Q&A

## Legal Compliance



Courtesy of Meridian Benefits Consulting

### Q

**How do I know who is eligible for COBRA and when?**

### A

Employers and plan administrators should make sure they are aware of which employees are entitled to Consolidated Omnibus Budget Reconciliation Act (COBRA) coverage. Problems can arise if COBRA is not offered to someone who is eligible to elect COBRA coverage or if it is offered to someone who is not eligible.

Under the COBRA rules, a qualifying event triggers COBRA coverage for the qualified beneficiary (QB). A QB is an individual covered by a group health plan on the day before the qualifying event. A QB can be the employee, the employee's spouse and/or the employee's dependent children. In some cases, a retired employee (and his or her spouse and/or dependent children) can be a QB. In addition, a child born to or placed for adoption with the covered employee during the COBRA coverage period is considered a QB. Agents, independent contractors and directors could also be QBs depending on the plan's eligibility rules.

A qualifying event is a specified triggering event that:

- Is listed in the COBRA statute
- Causes a loss of coverage under the plan
- Occurs within the maximum coverage period while the plan is subject to COBRA

The triggering events that will give rise to COBRA coverage depend on who is affected. The following list explains which events are considered qualifying events for each type of individual:

- Both the termination of the covered individual's employment (for reasons other than gross misconduct) and the reduction in hours of the covered individual's employment are considered qualifying events for the covered employee and his or her spouse and/or dependent children, if applicable.
- The covered employee becoming entitled to Medicare, the divorce or legal separation of the covered employee or the death of the covered

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employee are all considered qualifying events for the employee's spouse and/or dependent children, if applicable.

- The loss of dependent child status under the plan rules is considered a qualifying event for the covered employee's dependent children.

In addition to being familiar with the rules provided by the COBRA statute, it is important to look at the terms of the plan document. To be a qualifying event, the event must cause a loss of plan coverage. Just because a certain event is considered a triggering event under COBRA does not mean it will cause a loss of coverage under the plan. For example, COBRA allows legal separation of the employee and his or her spouse to be a qualifying event, but the plan may only terminate coverage if the employee and spouse are divorced.