

FAQs About COBRA Continuation Coverage under University of Michigan Group Health Plans

What is COBRA?

COBRA, the Consolidated Omnibus Budget Reconciliation Act, was enacted in 1985. It mandates that most employers offer continuation group health care coverage to plan participants and certain family members for 18, 29 or 36 months, at group rates, where coverage might otherwise end, such as with a voluntary or involuntary separation from employment, a reduction of hours worked, the death of an employee, or a divorce.

Who is eligible for COBRA continuation of benefits?

If you and any eligible dependents were enrolled in a Group Health Plan at the time you or your dependents became ineligible for benefits, then each of you is eligible for COBRA continuation of benefits. You and each eligible dependent have the option to make an independent election for COBRA continuation of benefits. For example, you and your spouse may choose to elect only medical coverage for you and only dental coverage for your spouse.

How do I apply for COBRA?

COBRA information and an election form will be mailed to eligible participants when the University of Michigan is aware of the qualifying event, such as your termination of employment or when a dependent child reaches the maximum age of eligibility. For other qualifying events, such as divorce or ineligibility of a dependent other than a dependent child, you must notify the the University in writing within 60 days of the qualifying event in order to receive a COBRA election form.

What is considered a Group Health Plan?

The University's medical, dental, vision and Health Care Flexible Spending Account (FSA) plans are all considered group health plans. However, you may continue only those plans in which you were enrolled on the date of your loss of eligibility. For example, if you were enrolled in a PPO plan and the vision plan, you may continue either or both of those two plans. You would be ineligible to elect participation in a dental plan, and ineligible to change to your medical plan, until the next annual Open Enrollment period.

If you were enrolled in the Flexible Spending Account plan, you have options to maximize the use of your account balance to reimburse yourself for qualified expenses.

When does COBRA coverage begin?

COBRA is effective the day after your benefits or your dependents' benefits termination date, pending the receipt of a timely election and payment of premiums. For example, if your divorce is final on November 28, your ex-spouse's coverage will end on November 30th, and your ex-spouse's COBRA coverage will be effective on December 1, pending the receipt of a timely election and payment of premium.

What if I need medical services before my coverage is effective?

You may be required to pay out-of-pocket for services. If so, you should contact your insurance company for possible reimbursement procedures once your coverage is effective.

What happens if I move out a Group Health Plan service area?

If you are in a managed care plan (excluding GradCare; see below) under COBRA and you are moving outside the service area for 6 consecutive months or more, you can change coverage by completing and submitting a [Moving Out of a Managed Care Service Area form](#) to SSC Benefits Transactions within 30 days of the move. Coverage will become effective the first of the month following receipt of the paperwork or the first of the month following the move date, whichever is later.

What if I am enrolled in GradCare?

If you are enrolled in GradCare under COBRA and move outside the service area, your coverage will be restricted to urgent care and Emergency Room care only. GradCare off-site registration forms do not apply to those covered under COBRA.

What happens to the money I have remaining in my Flexible Spending Account if I don't elect COBRA?

This money is forfeited unless COBRA is elected. Remember that you can submit any claims incurred up to your coverage end date.

How long does COBRA coverage last?

The length of your COBRA continuation coverage (18, 29, or 36 months) depends on the type of qualifying event that led to your COBRA eligibility. However, if you have a healthcare Flexible Spending Account and you elect to continue the account under COBRA, it will end on the last day of the plan year in which the Qualifying Event occurred.

I'm leaving the University for another job but there is a three month waiting period before my new coverage begins. If I elect COBRA, how much do I pay?

When you were an active employee, the University may have paid part of your group health premiums. Under COBRA, as a former employee no longer receiving benefits, you will pay the entire premium amount, that is, the portion of the premium that you paid as an active employee and the amount of the contribution made by the University. In addition, there will be a 2 percent administrative fee.

While COBRA rates may seem high, you will be paying group premium rates, which are usually lower than individual rates.

Since it is likely that there will be a lapse of a month or more between the date of termination and the time you elect COBRA and remit your first premium, you may have to pay health premiums retroactively-from the time of separation from the University. The first premium, for instance, will cover the entire time since your last day of employment with the University.

You should also be aware that it is your responsibility to pay for COBRA coverage even if you do not receive a monthly statement.

What are my options for making COBRA payments?

COBRA payments may be made by check or money order. U-M payroll deduction is available for making COBRA payments for your dependents. The 2 percent administration fee is waived for U-M payroll deduction. See the University Human Resources website at hr.umich.edu/cobra for current COBRA rates.

I didn't have any medical expenses during the first month after my termination. Can I choose to skip a month of COBRA?

No. When COBRA is elected it starts retroactive back to the date that coverage was lost. Payments for each month must be made in order to keep the coverage in place.