**How to Administer COBRA**

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﻿COBRA administration can be handled by either the employer or a third-party administrator, but as the legal obligation still falls to the employer to comply with the law, all employers should make sure these administrative steps are being completed and done so in a timely manner.

COBRA administration requires four basic compliance components:

* Notifying all eligible group health care participants of their COBRA rights.
* Providing timely notice of COBRA eligibility, enrollment forms, duration of coverage and terms of payment after a qualifying event has occurred.
* Collecting premiums, reinstating coverage and supplying appropriate notices if premiums are not received.
* Providing timely notices when COBRA coverage ends before the expected duration and responding to individuals seeking coverage who are not eligible for COBRA.

[Model COBRA notices](https://www.dol.gov/agencies/ebsa/laws-and-regulations/laws/cobra) are provided on the U.S. Department of Labor's COBRA Continuation webpage under the Regulations section.

**Step 1: Initial Notification**

Employers must ensure that a COBRA [general notice](https://builderbenefits.com/what-cobra-notices-are-required/) is provided to all eligible group health care participants within 90 days of becoming eligible to participate in the group health plan. Hand delivery of notices to employees with participating spouses is not recommended as it does not satisfy the requirement to notify the spouse directly.

The best options for providing notice are the following:

* Send a letter by first-class mail to the employee's home address with the employee's name and the spouse's name or "& Family," if applicable.
* Include the general notice in the summary plan description (SPD) and send by first-class mail to the employee's home address with the employee's name and the spouse's name or "& Family," if applicable.

**Step 2: Qualifying Event Notices**

When employees or dependents experience a qualifying event, the employer must notify the plan administrator within 30 days of the event. The administrator must then provide an [election notice](https://builderbenefits.com/what-cobra-notices-are-required/) to the employee, the dependents or both within 14 days of receiving the notice of the qualifying event, notifying them of their eligibility to enroll in COBRA coverage, the terms and amount of the premium payment, and the beginning and ending dates of coverage. Employers that are also plan administrators (those that do not outsource the COBRA administration) have 44 days to provide the election notice to the employee and any eligible dependents; however, election notices should be provided as soon as administratively possible. Employers should send notices by first-class mail, obtain a certificate of mailing from the post office, and keep a log of letters sent. Certified mailing should be avoided, as a returned receipt with no delivery acceptance signature proves the participant did *not* receive the required notice.

**Step 3: Insurance Carrier Notification**

Employers must notify the insurance carrier that the employee's group coverage has ended, and that the COBRA election form has been provided. If COBRA is elected, insurance will be reinstated as of the date group coverage ended.

**Step 4: Election and Payment**

If COBRA coverage is not elected within 60 days of when the election notice was sent, the employer's obligations end, and no further action is required.

If COBRA coverage is elected within 60 days of when the election notice was sent,employers mustallow 45 days from the date of election for the initial premiums owed to be paid. Once received, the employer must notify the insurance carrier to reinstate coverage back to the initial end date so there is no gap in coverage. If the employee continues to pay premiums on a timely basis, and no secondary qualifying event or allowable reason for early termination occurs, no further action is needed.

**Step 5 (if needed): Late or Missing Payments**

**Premiums not received.**If at any time premiums are not received by the established due date, the employer must allow a 30-day grace period to receive the premium. If payment is still not received by the end of the 30-day grace period, the employer may cancel coverage and must provide a written [Notice of Termination of Coverage](https://builderbenefits.com/cobra-termination-of-coverage/) as soon as practicable.

**Significant portion of premium received.** If the shortfall in payment received is no greater than $50 or 10 percent of the amount due, it must be accepted as payment in full unless the employer sends a notice indicating the amount still due and gives adequate time (30 days) for the shortage to be paid (*see* [Q-5](http://edocket.access.gpo.gov/cfr_2004/aprqtr/26cfr54.4980B-8.htm) of 26 C.F.R. §54.4980B-8).

**Step 6 (if needed): Early Termination**

If a current COBRA participant becomes entitled to Medicare or is enrolled in another group health plan while on COBRA, the employer may cancel COBRA coverage. A written Notice of Termination of Coverage must be provided as soon as practicable.

**Step 7 (if needed): Secondary Qualifying Event**

If a secondary qualifying event occurs during COBRA coverage, a letter indicating the new end date for COBRA and any new premiums must be sent as soon as practicable. Second qualifying events during continuation coverage include the death of the covered employee, the divorce or separation of the employee and spouse, the covered employee's becoming entitled to Medicare, or the loss of dependent child status under the plan. In these circumstances, coverage is extended to 36 months from the original continuation start date for the qualified beneficiary losing coverage due to the secondary qualifying event.

**Step 8 (if needed): Ineligibility Notice**

Current or former employees not eligible for COBRA continuation coverage who request COBRA coverage must be sent a Notice of Unavailability of Continuation Coverage, explaining the reasons they are not eligible for continuation coverage.

[U.S. Department of Labor's COBRA Continuation webpage](https://www.dol.gov/agencies/ebsa/laws-and-regulations/laws/cobra)

[AN EMPLOYER'S GUIDE TO GROUP HEALTH CONTINUATION COVERAGE UNDER COBRA](https://www.dol.gov/sites/default/files/ebsa/about-ebsa/our-activities/resource-center/publications/an-employers-guide-to-group-health-continuation-coverage-under-cobra.pdf)