CONTINUATION COVERAGE NOTIFICATION (COBRA)

On April 7, 1986, a federal law was enacted (Public Law 99-272, commonly called "COBRA"). This law requires the State of Texas to offer employees and dependents covered under the Texas Employees Group Benefits Program (GBP) the opportunity to temporarily extend their health and/or dental coverage at the group rates. Continuation coverage is available only when certain qualifying events cause coverage under the GBP to end. Coverage under COBRA is limited to the health and/or dental coverage in effect at the time of the qualifying event.

Note: If eligible for optional coverages as a retiree, this document is only applicable to health.

WHO MAY CONTINUE COVERAGE

If you are an employee covered under the GBP, you and/or your covered dependents have the right to elect up to 18 months of continuation coverage if your GBP coverage ended due to:

- Termination of employment for reasons other than gross misconduct (including retirement with less than 10 years of service credit with the Employees Retirement System of Texas (ERS), Teacher Retirement System (TRS) of Texas or an Optional Retirement Program (ORP)
- Loss of GBP eligibility due to expiration of coverage following leave without pay
- Loss of GBP eligibility due to reduction of hours

If you are a dependent covered by an employee under the GBP, you have the right to elect up to 36 months of continuation coverage if your GBP coverage ended due to loss of dependent status, including such qualifying events as:

- Death of the employee
- Divorce of the employee and covered spouse
- A dependent child who marries or attains age 25
- An other than natural child who moves out of the employee's household

If you are a former employee's dependent continuing GBP coverage under COBRA as a result of the former employee's termination of employment, expiration of coverage following leave without pay or loss of GBP eligibility due to reduction of hours, you have the right to extend your coverage for a total continuation period of up to 36 months if a secondary qualifying event occurs and you lose dependent status under the rules of the GBP provided you were covered as a dependent at the time of the initial qualifying event. A COBRA participant's newborn child or newly adopted child acquired on or after the initial qualifying event who is added to the existing COBRA coverage will also have a right to extend their coverage. Secondary qualifying events which occur during the initial 18 months of continuation coverage that entitles covered dependents to the additional continuation period are:

- Death of the former employee
- Divorce of the former employee and covered spouse
- A dependent child who marries or attains age 25
- An other than natural child who moves out of the employee's household
- The former employee begins receiving Medicare benefits.

ELECTION PERIOD

For employees and dependents eligible for continuation coverage

The ERS will provide you with a COBRA Election Form and COBRA Notification following the termination of your coverage. You and/or your dependents must formally elect continuation coverage on the form provided and submit the appropriate premium payment within 105 days of the date coverage terminated or the date of notice, whichever is later. Failure to do so will result in the forfeiture of your continuation coverage. Each covered participant has the right to elect continuation coverage independently. **You and your dependents will not have coverage after the date coverage terminated until you formally elect continuation coverage and pay all premiums due retroactive to the first day of the month following the date coverage terminated.**

For dependents whose coverage terminates due to loss of dependent status

The member or the covered dependent has the responsibility to notify one of the following of a divorce or when a covered dependent loses dependent status. Notification must occur within 60 days of the qualifying event date.

- Active employee – your agency or institution Benefits Coordinator
- Retiree or current COBRA participant – the Employees Retirement System of Texas (ERS)

Upon notification the ERS will provide a form for the dependent to complete and forward to the ERS with the appropriate premium within 105 days of the date of notice on the form or the date coverage terminated, whichever is later. If the Benefits Coordinator or the ERS is not notified within 60 days, continuation coverage will be forfeited.

Adding newly acquired dependents during the election period

Newly acquired dependents may be added to the COBRA continuation coverage provided the ERS is notified in writing within 30 days of the date the individual first became an eligible dependent. This rule also applies during the 105-day election period. Example: An employee terminated employment on July 20 and acquired an eligible dependent on August 5. To add the new dependent to the COBRA continuation coverage, the request must be postmarked on or before September 4 even though the 30-day notification deadline occurs before the end of the 105-day election period.

COST OF CONTINUATION COVERAGE

Persons electing continuation coverage must pay the full premium plus an additional 2% administrative fee. The first premium payment is due within 105 days from the date of the COBRA qualifying event or the date of notice, whichever is later. If you will receive an annuity from ERS, your monthly premium will be automatically deducted from your monthly annuity payment. To ensure that no break in coverage occurs, the first premium payment must include all premiums due retroactive to the first day of the month following the date coverage terminated. Subsequent monthly payments are due on the first of each coverage month and must be postmarked by the U. S. Postal Service within 30 days of the due date. If your payment is late, your coverage will be automatically cancelled retroactive to the last day of the month in which a full payment was received and was not considered delinquent.

LENGTH OF CONTINUATION COVERAGE

Your continuation coverage may be cancelled for any of the following reasons:

- The required premium for your continuation coverage is not received within the required time period, regardless of the circumstances.
- You enroll in another group health plan on or after the COBRA coverage effective date unless the other group health plan subjects you to a pre-existing condition limitation or exclusion. If you enroll in another group health plan, your COBRA coverage will end when the new group health plan covers you and does not limit or exclude coverage for pre-existing conditions in accordance with Public Law 104-191 (Health Insurance Portability and Accountability Act of 1996).
- You begin receiving Medicare benefits on or after the COBRA coverage effective date.
- The GBP ceases to provide coverage to any employee/retiree.
- You extend coverage due to a disability and the Social Security Administration (SSA) makes a final determination that the disability no longer exists.
- You submit a written request to cancel coverage. Cancellations will be made effective the last day of the month in which the U. S. Postal Service postmarks your request. Therefore, you must make the full premium payment for the month in which you are mailing the cancellation request.

IMPORTANT: Cancelled continuation coverage cannot be reinstated.

Special provision for covered individuals who are determined to be disabled by the SSA

An 18-month continuation coverage period may be extended to a possible maximum of 29 months if a qualified beneficiary is determined to be disabled under Title II or XVI of the Social Security Act at any time prior to or during the first 60 days of COBRA continuation coverage. The disabled individual may be any qualified beneficiary whose coverage was continued under COBRA due to termination of employment, expiration of coverage following leave without pay or due to reduction of hours. To be eligible for the extension, the ERS must be notified by submitting a copy of the SSA Notice of Award letter during the initial 18 months of COBRA continuation coverage. Coverage will be extended for an additional 11 months or until Medicare entitlement begins, whichever occurs first. The premium for the additional months of coverage will be equal to 150% of the current cost of coverage in the GBP. A covered individual who may be eligible for the coverage extension period due to a disability must contact the local SSA office to begin the determination process.

Conversion to an individual policy

Within thirty (30) days after the date your COBRA continuation coverage expires, you may enroll in an individual conversion health plan and or dental plan. Please contact your health and/or dental plan for specific information.

Questions about COBRA continuation coverage should be direct to the Customer Benefits Division of the Employees Retirement System at (512) 867-7711 or toll free (877) 275-4377 (outside the Austin calling area only)

Information for Participants Continuing Their Coverage

We have prepared some of the most commonly asked questions regarding COBRA continuation coverage. These are general questions only. For more specific information, please contact the Customer Benefits Division of the Employees Retirement System (ERS) directly at (512) 867-7711 or toll-free (877) 275-4377 (outside the Austin calling area). Our mailing address is P. O. Box 13207, Austin, Texas 78711-3207.

What is COBRA?

COBRA is an acronym for "Consolidated Omnibus Budget Reconciliation Act of 1985." COBRA requires employers to offer continuation of group health and/or dental benefits for a specified time to individuals who would otherwise lose coverage due to certain qualifying events.

What is a Qualified Beneficiary?

An individual who is entitled to COBRA continuation coverage due to being covered under a group health and/or dental plan on the day the qualifying event causes loss of coverage (e.g., termination of employment, divorce from the covered employee, etc.). This also includes a COBRA participant's newborn child or newly adopted child acquired who is added to the coverage on or after the initial qualifying event.

How long can a Qualified Beneficiary keep COBRA coverage?

If a qualifying event is due to termination of employment, loss of coverage following leave without pay or reduction in hours, a qualified beneficiary is entitled to a maximum of 18 months of continuation coverage. All other qualifying events entitle a qualified beneficiary up to 36 months of coverage. An 18-month continuation period may be extended to 36 months if a secondary qualifying event occurs during the initial 18-month continuation coverage period (e.g., divorce, death or loss of dependent status). A qualified beneficiary is never entitled to more than 36 months of continuation coverage.

How long can a disabled individual remain on COBRA?

A qualified beneficiary who is determined to be disabled by the SSA under Title II or XVI before or at any time during the first 60 days of COBRA coverage may be eligible to extend coverage from 18 to a possible maximum of 29 months. The ERS must receive a copy of the SSA Notice of Award letter prior to the end of the original 18-month continuation coverage period.

How much are the premiums?

Premiums for 18-month and 36-month qualifying events are calculated at 102% of the current group rate. The premium for disability participants who extend their coverage beyond the initial 18 months of coverage will be calculated at 150% of the current group rate. Premiums are recalculated every year; if the rates change, the new plan year premium amount will be effective beginning September 1. You will be sent a new payment notice for the new plan year, after September 1. Premium amounts for other levels of coverage may be obtained by contacting the ERS or visiting the ERS website at www.ers.state.tx.us.

When are the premiums due?

The initial COBRA premium payment will be due within 105 days of the date coverage terminated or the date of notice whichever is later. If you will receive an annuity from ERS, your monthly premium will be automatically deducted from your monthly annuity payment. Subsequent premiums are due on the first day of the coverage month. Your monthly premium payment must be postmarked within thirty (30) days of the due date or coverage will be automatically cancelled retroactive to the last day of the month in which a full premium payment was received and was not considered delinquent. For example, your June premium payment is due on June 1, and will be considered late if it is postmarked after June 30. If the June premium payment is late, coverage would be terminated May 31.

Will the ERS notify me if a premium payment is not received?

It is the participant's responsibility to determine if a premium payment is due. If your coverage is cancelled, you will be notified at that time. Cancelled COBRA coverage may not be reinstated.

For what reasons can COBRA coverage be cancelled by the ERS?

COBRA coverage may be cancelled prior to the end of the continuation coverage expiration date if:

- A timely premium payment is not received.
- The GBP ceases to provide coverage to any employee/retiree.

- The participant becomes covered under another group health and/or dental plan on or after the COBRA coverage effective date unless the participant is subject to a pre-existing condition limitation or exclusion in the other group health plan. COBRA coverage will end when the new group health plan coverage begins and there is no limitation or exclusion for pre-existing conditions in accordance with the Health Insurance Portability and Accountability Act of 1996 (HIPAA).
- The participant begins receiving Medicare benefits on or after the COBRA coverage effective date.
- The participant extends coverage due to a disability and later begins receiving Medicare benefits or the SSA makes a final determination that the disability no longer exists.
- A written request is received from the participant requesting cancellation of coverage. Coverage cancellations will be made effective the last day of the month in which the U. S. Postal Service postmarks the request. A full premium payment must be submitted for the month in which a request for cancellation is submitted.

IMPORTANT: Cancelled COBRA coverage may not be reinstated

What if I become covered under another group health plan or begin receiving Medicare benefits?

You are responsible for notifying the ERS in writing when you enroll in another group health and/or dental plan or begin receiving Medicare benefits. The right to continue COBRA coverage terminates when an individual becomes covered on or after the COBRA effective date by another group health plan that does not limit or exclude coverage for pre-existing conditions OR if you begin receiving Medicare benefits. Your COBRA coverage will be cancelled retroactive to the last day of the month prior to the month in which you first became covered under the other group health and/or dental plan or began receiving Medicare benefits.

Under HIPAA, a group health plan's pre-existing condition exclusion period will be reduced month for month by the individual's preceding period of "creditable coverage" under another health plan. The continuous coverage period in another health plan is considered "creditable coverage" provided there has been no lapse in coverage of more than 63 days. COBRA continuation coverage may be terminated if a COBRA participant becomes covered by a new group health plan with a pre-existing condition exclusion clause that is satisfied by the "creditable coverage" provision. The HIPAA rules limiting the applicability of exclusions in most employers' health plans for pre-existing conditions became effective in plan years beginning on or after July 1, 1997.

If a participant becomes covered by another group health plan that limits or excludes coverage for pre-existing conditions on or after the COBRA effective date, COBRA coverage will not be terminated until the expiration of the pre-existing conditions exclusion period. In order to continue COBRA coverage you will be required to provide the following items regarding the other group health plan: documentation of the pre-existing conditions limitation provision, documentation of the effective date of coverage for each person that is covered by the other group health plan and documentation (e.g. medical or prescription billings) indicating that services were provided during the pre-existing period for each person that is covered by the other group health plan. COBRA coverage will be cancelled on the last day of the month in which the pre-existing condition exclusion period expires.

What if I return to employment with a GBP participating agency or higher education institution?

If you return to employment with a GBP participating agency or higher education institution while your COBRA coverage is in effect, your COBRA coverage will extend through the end of your rehire month. The full COBRA premium for the month during which you became covered as an active employee or as a dependent of an active employee will be due. This will not result in a break in coverage. However, if the full premium is not received, COBRA coverage will be retroactively cancelled and you will be subject to the 90-day waiting period.

May I change my health and/or dental carrier or make changes to my COBRA coverage?

COBRA coverage will continue with your current health and/or dental carrier. If you are enrolled in a Health Maintenance Organization (HMO) and move out of the service area where there is no other HMO available, you will be automatically enrolled in HealthSelect. You may decrease your level of coverage by submitting a written request to the ERS. The decrease in coverage will be effective the first day of the month following the postmarked date of your request. Newly acquired dependents may be added if you notify the ERS in writing within thirty (30) days of the qualifying life event. (For example, if you were married on July 1, to add your new spouse, your request must be postmarked on or before July 31). Other eligible dependents may be added and eligible changes may be made during the annual Summer Enrollment Period or through the Evidence of Insurability (EOI) process.

Can COBRA coverage be converted to an individual policy?

COBRA coverage may be converted to an individual policy if you apply for conversion within thirty (30) days after the date your COBRA coverage expires or is cancelled, provided your premium payments are current. We will notify you forty-five (45) days before the expiration date. Please contact your health and/or dental carrier for specific information about conversion.