

COMPLIANCE SNAPSHOT

COBRA: Qualifying Events

The [Consolidated Omnibus Budget Reconciliation Act \(COBRA\)](#) is a federal law that requires most employers to provide former employees and dependents who lose group health benefits due to a “qualifying event” with an opportunity to continue group health coverage for a limited period of time.

Qualifying Events

COBRA coverage must be offered when:

- A **qualifying event occurs** when the health plan is subject to COBRA; and
- The qualifying event **causes a loss of coverage** under the plan for a covered employee, covered spouse or covered dependent child (referred to as “qualified beneficiaries”).

Not all losses of health plan coverage are caused by qualifying events. If an employee or dependent loses group health plan coverage for a reason that is not a COBRA-qualifying event, the employer is not required to offer COBRA coverage. Likewise, if the event does not cause a loss of group health coverage, the employer is not required to offer COBRA coverage.

Maximum Coverage Period

The period of COBRA coverage offered to qualifying beneficiaries is known as the “maximum coverage period.” The length of the maximum coverage period depends on the type of qualifying event that has occurred. It is:

- **18 months** for termination of employment or reduction in hours; and
- **36 months** for all other qualifying events.

There are situations where the maximum coverage period can be extended (due to disability or a second qualifying event) or terminated early (for example, when COBRA premiums are not paid).

Qualifying Events

- Termination of a covered employee’s employment (other than for gross misconduct)
- Reduction in a covered employee’s hours of employment
- Divorce or legal separation from a covered employee
- Death of a covered employee
- Cessation of being a dependent child under the terms of the plan
- Covered employee’s entitlement to Medicare
- Employer bankruptcy (retiree plans)

Loss of Coverage

- To lose coverage means to cease to be covered under the same terms and conditions that were in effect immediately before the event.
- Often, there is a complete loss of coverage due to a qualifying event (e.g., following an employee’s termination of employment), but even a partial loss of coverage can trigger COBRA rights (e.g., an increase in employee premiums because of a qualifying event).

Provided to you by [DMJ Insurance Services, Inc.](#)

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