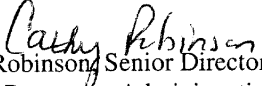


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Date: November 12, 2001

Code: TECHNICAL LETTER
HR/BENEFITS 2001-21

To: Human Resources Directors
Benefit Officers

From:  Cathy Robinson Senior Director
Human Resources Administration

Subject: CONSOLIDATED OMNIBUS RECONCILIATION ACT (COBRA) ADMINISTRATIVE MANUAL

We are pleased to present an updated Consolidated Omnibus Reconciliation Act (COBRA) Administrative Manual, which provides comprehensive information to assist campuses with COBRA administration. Please destroy any prior COBRA Administrative Manuals you may have.

The Internal Revenue Service (IRS) released final COBRA regulations in February 1999 and these regulations took effect for qualifying events occurring in plan years beginning on or after January 1, 2000. Many of the issues addressed in the final regulations provide clarification on the proposed COBRA regulations issued in 1987; however, new regulations were also introduced.

Highlights of the changes are listed below:

- **Qualified Beneficiaries:** The definition of qualified beneficiary (QB) is expanded to include any child born to, or placed for adoption with, a covered employee during a period of COBRA continuation coverage.
- **Disabled Extension:** This provision allows qualified individuals to extend COBRA due to a disability. It also allows for independent election rights for each qualified beneficiary (either the disabled person, or any family member) entitled to COBRA continuation coverage resulting from the employee's termination, or reduction in work hours. During the disability extension, a rate of 150% can be charged of the entire family if the disabled individual is part of the coverage group. However, if only non-disabled qualified beneficiaries are in the coverage group, only 102% of the group rate can be charged. Additionally, if a family member is disabled, but does not elect COBRA, the non-disabled family members may qualify for the 11-month disability extension.

(Over)

Distribution:

CSU Presidents	(Without Attachment)
Vice Chancellor, Human Resources	(With Attachment)
Associate Vice Presidents/Deans, Faculty	"
Payroll Managers	"
Director, SOSS	(Without Attachment)

- **Premium Shortage/Grace Period Limitations.** The final rules indicate that if a premium payment is short by an “insignificant” amount, the plan must either accept it as payment in full, or notify the qualified beneficiary of the amount of the deficiency and allow a longer grace period in which to make up the deficiency. The regulations do not clarify what constitutes an “insignificant” amount.
- **Health Care Provider Inquiries:** The new regulations clarify that claims incurred by qualified beneficiaries during the election period do not have to be paid until COBRA is elected and the required payment made. When health care providers inquire regarding coverage, the plan must make a complete response regarding the qualified beneficiary’s right to continuation of coverage under the plan during the election and payment grace periods.
- **Medicare Entitlement:** Entitlement to Medicare means someone who is actually *enrolled* in Medicare; it does not mean someone who is merely “*eligible*” but not enrolled in Medicare. COBRA continuation coverage may be terminated for an individual who first becomes entitled to Medicare *after* having elected COBRA continuation. However, COBRA continuation coverage may not be terminated when the individual becomes entitled to Medicare *before* electing COBRA coverage.
- **FMLA Leave:** Taking FMLA leave is not a qualifying event under COBRA because coverage is not lost during the time of leave. A qualifying event occurs when the covered individual does not return to work after the leave. COBRA is then offered from the end of the FMLA only. Election of COBRA is not contingent upon receiving back premiums for the FMLA leave. COBRA is offered regardless of whether or not premiums were paid during the leave.

Note that language has been added to the Manual to reflect eligibility of Domestic Partners (as defined by, and registered with, the Secretary of State). Also, “*moving out of the household*” has been added as a qualifying event for purposes of continuation coverage for health benefits administered by CalPERS. Although not required by law, CalPERS allows COBRA continuation coverage to be offered under these circumstances. This does not apply to CSU dental, vision and health care reimbursement account plans.

Please refer to the COBRA Administrative Manual for additional information. For your convenience, also included in the Manual is a revised sample notification that campuses may use as a model statement. We hope this Manual will be helpful in the administration of COBRA. If you have any questions, please contact Felice Bakre at (562) 951-4410. This technical letter is also available on Human Resources Administration’s web page at: <http://www.calstate.edu/HRAdm/memos.shtml>.

CR/fb

Attachment