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**Code: TECHNICAL LETTER  
HR/Benefits 2003-08**

**To:** Human Resources Directors  
Benefit Officers

**From:** Cathy Robinson   
Assistant Vice Chancellor  
Human Resources Administration

**Subject: CONSOLIDATED OMNIBUS BUDGET RECONCILIATION ACT (COBRA) UPDATE**

The Consolidated Omnibus Budget Reconciliation Act (COBRA) provides that employers who offer group health plans must permit individuals who lose plan coverage, as a result of certain events, to continue coverage on a self-pay basis for a specified time period. Assembly Bill (AB) 1401 permits specified individuals who begin continuation coverage on or after January 1, 2003, and who subsequently exhaust all available Federal COBRA continuation coverage, the opportunity to extend their coverage term up to 36 months, regardless of the nature of the initial COBRA qualifying event. The provisions of AB 1401 apply to medical coverage only (not dental or vision) and will take effect on September 1, 2003. Participants must apply for the extension directly with the insurance carrier or Health Maintenance Organization (HMO) prior to the expiration of their Federal COBRA coverage.

Under AB 1401, group health plans have the option of increasing the premium up to 110% of the corresponding group rate after the first 18 months of continuation coverage. Below is an example of how AB 1401 may be applied:

*An employee elects Federal COBRA continuation coverage under his/her medical plan based on termination of employment sometime after January 1, 2003. The individual may continue coverage for up to 18 months under Federal COBRA (at a cost of 102%) and then may contact the medical plan to request continued coverage for an additional 18 months (at a cost of 110%) under AB 1401.*

Additionally, a qualified individual who meets the Social Security Administration's definition of disabled (which entitles the disabled individual to up to 29 months of continuation coverage) is eligible for an additional seven months of coverage under AB 1401. The cost would be 102% for 18 months of coverage under Federal COBRA, 150% during the disability

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CSU Presidents  
Vice Chancellor, Human Resources  
Associate Vice Presidents/Deans, Faculty  
Payroll Managers  
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extension period (months 19 through 29) and 110% for the additional seven months of coverage under AB 1401.

Group health plan carriers are responsible for notifying COBRA participants of these new provisions. Please refer to the following sections of the CSU COBRA Administrative Manual that reflect availability of the additional continuation coverage for eligible participants: Section 3.5 “Additional Continuation of Coverage Rights,” and Section 13 “Model Statement.” Several other sections of the Manual have been relettered as appropriate. Please refer to the updated COBRA Administrative Manual, which is available on our Web site at: [http://www.calstate.edu/Benefits/pdf/cobra\\_admin\\_guide.pdf](http://www.calstate.edu/Benefits/pdf/cobra_admin_guide.pdf).

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