



COBRA Required for All Arizona Group Medical Plans

Starting in January 2019, all employers offering group medical insurance, even groups of one employee only, must begin offering continuation coverage in accordance with AZ Senate Bill 1217. All new plans must start offering this option, commonly known as COBRA, as of January 1, 2019. Plans that renew after December 31, 2018 must comply with this law as of the date of renewal.

Employer Requirements

When an employee first joins a plan, employers are to provide them with an initial general notice that in the event that they or their dependents lose coverage because of a qualifying event (e.g. termination, dependent turning age 26, divorce, etc.) they will have the opportunity to continue coverage. This notice also instructs employees to notify the employer when qualifying events occur.

When an employee or their dependents experience a qualifying event and have participated in the medical plan for at least 90 days, the employer is to send the employee notification of their right to continue coverage within 30 days of the event. A written letter sent to the employee's last known address within 44 days of the event meets this requirement. Any notice the employer sends to the employee will constitute notice to affected dependents unless the employer is aware a dependent has a different address than the employee. Please note, the language and requirements that go in notices are very specific and not up to employers to simply send some note offering coverage to eligible COBRA participants. Employers should work with a professional third Party COBRA/Benefits administrator to ensure they have the right notices, that they go out as required and to eliminate the risks and hassles of these new COBRA requirements.

The employee has 60 days after receiving the notice to notify the employer that he or she wants the continuation of coverage.

The new AZ continuation coverage laws allow the employer or Third Party Administrator to charge eligible participants the full premium cost of the insurance, plus up to an additional 5% surcharge of the premium cost— in total, up to 105% of the insurance premium cost.

Similar to Federal COBRA, organizations with less than 20 employees must allow participants to remain on the plan for up to 18 months. This could extend to as much as 36 months if additional events occurs such as divorce, military activation or death.

Self-Administer?

Federal COBRA and the new AZ Continuation is a maze of rules, required notices and procedures. Missing any step or requirement could result in hefty fines or consequences. For example, what if the employer forgets to send the required notice within the required time period and the former employee or dependent develops a serious medical condition like cancer? Such circumstances could leave the employer being responsible for an employee's very expensive claim, as the insurance provider could argue against any liability for employees past the eligible COBRA enrollment time period.

Most employers find it is just not worth the risk of potentially making costly mistakes to self-administer COBRA.

Outsourcing COBRA Administration

HR Service, Inc. and their Benefit Administration Division B3PA offers special pricing for COBRA and other TPA needs such as HRAs, FSAs, and HSAs.

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HR Service, Inc.