



COBRA Arizona



Comparison of Federal and Arizona Continuation Laws

Beginning **Jan. 1, 2019**, small employers that offer group health plans will be required to offer **continuation coverage to eligible employees and qualified dependents** who experience a qualifying event. A small employer means an employer that employed an average of at least one, but not more than 20, eligible employees during the preceding calendar year. Although the new continuation coverage requirements are similar to the coverage requirements that apply to larger employers under federal COBRA, there are some key differences. The chart below compares federal COBRA requirements and Arizona’s new continuation coverage law.

	FEDERAL (COBRA)	ARIZONA
Covered Employers and Health Plans	Group health plans (both fully insured and self-funded) maintained by private-sector employers with 20 or more employees . Most group health plans maintained by governmental employers are required to offer COBRA. However, group health plans maintained by churches are exempt from COBRA.	Health benefits plans issued or renewed after Dec. 31, 2018 , are subject to Arizona’s new continuation coverage law. A “health benefits plan” means a hospital and medical service corporation policy or certificate, a health care services organization contract, a group disability policy, a certificate of insurance of a group disability policy that is not issued in this state, a multiple employer welfare arrangement or any other arrangement under which health services or health benefits are provided to two or more individuals. As a general rule, employer-sponsored group health plans that are subject to federal COBRA are not subject to Arizona’s continuation coverage law. Also, self-insured ERISA plans that are sponsored by a single employer (or a group of employers under common



		control) are not subject to state insurance laws, including state mini-COBRA laws.
Qualified Beneficiaries	An employee, spouse or dependent child covered by a group health plan on the day before a qualifying event. In addition, any child born to or placed for adoption with a covered employee during the period of COBRA coverage is considered a qualified beneficiary.	<p>Qualified beneficiaries include:</p> <ul style="list-style-type: none"> • Employees who are covered under an employer’s health benefits plan for at least three months before the qualifying event; and • Qualified dependents who are covered under the health benefits plan immediately before the qualifying event and who are spouses or dependent children of eligible employees. <p>Employees and qualified dependents who are eligible for federal COBRA coverage or Medicare are not eligible for state continuation coverage.</p>
Qualifying Events	<p>Events that trigger an obligation to offer COBRA coverage include:</p> <ul style="list-style-type: none"> • Termination of employment for reasons other than gross misconduct (all qualified beneficiaries); • Reduction in the number of hours of employment (all qualified beneficiaries); • Covered employee's becoming entitled to Medicare (spouse and dependent children); • Divorce or legal separation of the covered employee (spouse and dependent children); • Death of the covered employee (spouse and dependent children); and • Loss of dependent child status under the plan (dependent children). 	Same as COBRA
Maximum Continuation Period	<p>The maximum duration of COBRA coverage depends on the type of qualifying event, as follows:</p> <p>18 months - Employment termination</p>	<p>The maximum period of continuation coverage is 18 months. This 18-month period may be extended in the following situations:</p> <ul style="list-style-type: none"> • Disability: A qualified dependent

	<p>or reduction in hours of work</p> <p>29 months – The Social Security Administration (SSA) determines the qualified beneficiary is disabled during the first 60 days of COBRA coverage. This 11-month extension applies to the qualified beneficiary with the disability and all of the qualified beneficiaries in the family.</p> <p>36 months – Divorce or legal separation, employee’s death, entitlement to Medicare or loss of dependent child status</p> <p>36 months – After a qualifying event that is an employment termination or a reduction in hours of work, a second qualifying event occurs that is the death of the employee, the divorce or legal separation of the covered employee and spouse, Medicare entitlement (in certain circumstances) or loss of dependent child status under the plan.</p>	<p>who has a disability (as determined by the SSA) at the time of a qualifying event may be eligible to continue coverage for an additional 11 months (29 months total) if the qualified dependent provides the written determination of disability to the employer within 60 days after the date of the disability determination and before the end of the original 18-month continuation coverage period.</p> <ul style="list-style-type: none"> • Second qualifying event: A qualified dependent may be eligible to continue coverage for an additional 18 months (36 months total) if, during the original 18-month period, one of the following qualifying events occurs—divorce or legal separation, employee’s death, employee’s eligibility for Medicare or loss of dependent child status under the plan. <p>Special rules also apply to eligible employees who are in the military reserve or national guard and are called to active duty. These rules allow the maximum continuation coverage period to be extended in certain circumstances.</p>
<p>Early Termination of Coverage</p>	<p>Coverage begins on the date that coverage would otherwise have been lost by reason of a qualifying event and will end at the end of the maximum period. It may end earlier if:</p> <ul style="list-style-type: none"> • Premiums are not paid on a timely basis; • The employer ceases to maintain any group health plan; • After the COBRA election, coverage is obtained with another employer group health plan that does not contain any exclusion or limitation with respect to any pre-existing condition of the beneficiary; or • After the COBRA election, a beneficiary becomes entitled to 	<p>Continuation coverage may end before the maximum continuation coverage period if:</p> <ul style="list-style-type: none"> • Premiums are not paid on a timely basis; • The employee or qualified dependent becomes eligible for Medicare or Medicaid or obtains any other health coverage (but only with respect to that person); • The employer terminates coverage under the health benefits plan for all employees and does not replace the coverage; or • A dependent child would otherwise lose coverage under the terms of the plan due to attaining a certain age

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	Medicare benefits.	(as to the dependent child).
Notice Requirements	<p>Health plan administrators must provide an initial general notice when group health coverage begins. When a qualifying event occurs, health plan administrators must provide an election notice regarding rights to COBRA continuation benefits to each qualifying beneficiary who loses plan coverage in connection with the qualifying event.</p> <p>Qualified beneficiaries must respond to this notice and elect COBRA coverage by the 60th day after the written notice is sent or the day health care coverage would end, whichever is later.</p> <p>Additional COBRA notice requirements apply under federal law.</p>	<p>A small employer must notify eligible employees of their continuation coverage rights within 30 days after the qualifying event. A written notice that is postmarked within 44 days after a qualifying event and mailed by the employer to the employee's last known address satisfies this notice requirement. Notice to the eligible employee constitutes notice to any qualified dependent unless the employer knows there is a qualified dependent who does not live at the same address and knows the dependent's address.</p> <p>The Arizona Department of Insurance is to make a sample continuation coverage notice available on its website for employers to use.</p> <p>The eligible employee or qualified dependent must elect continuation coverage within 60 days after the date of the notice.</p>
Premium Rules	<p>The maximum amount charged to qualified beneficiaries cannot exceed 102 percent of the plan's total cost of coverage for similarly situated individuals. For qualified beneficiaries receiving the 11-month disability extension, the premium for those additional months may be increased to 150 percent of the plan's total cost of coverage.</p> <p>Plans must provide at least 45 days after the election for making an initial premium payment. The plan sponsor may establish due dates for later payments, but it must provide a minimum 30-day grace period for each payment.</p>	<p>The maximum amount charged for continuation coverage cannot exceed the full cost of coverage (which includes the employer's contribution and the employee's contribution) and an administrative fee that cannot exceed five percent of the premium.</p> <p>If continuation coverage is extended due to a qualified dependent's disability, the employer may charge up to 150 percent of the group rate during the 11-month disability extension.</p> <p>Qualified beneficiaries who elect continuation coverage must submit the first month's premium to the employer within 45 days after the election to continue coverage.</p>
Applicable Statutes	IRC § 4980B, ERISA §601 <i>et seq.</i> , 29 CFR §§ 2590.606-1 through 2590.606-4.	A.R.S. § 20-2330
Government Agency Contact	Departments of Labor and Treasury (private sector plans) and Department of Health and Human Services (public	Arizona Department of Insurance

sector plans). More information on COBRA coverage is available from the [Department of Labor](#).