



# COBRA Arizona



## Comparison of Federal and Arizona Continuation Laws

	FEDERAL (COBRA)	ARIZONA
<b>Covered Employers and Health Plans</b>	<p>Group health plans (both fully insured and self-funded) maintained by private-sector, state and local government employers with <b>20 or more employees</b>. However, group health plans sponsored by the federal government or by churches are exempt from COBRA.</p>	<p>Health benefits plans issued by employers with <b>fewer than 20 employees</b> during the preceding calendar year, are subject to Arizona’s continuation coverage law.</p> <p>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.</p> <p>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. Non-ERISA plans that are self-insured should consult their plan’s terms.</p>
<b>Qualified Beneficiaries</b>	<p>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</p>	<p>Qualified beneficiaries include:</p> <ul style="list-style-type: none"> <li>• Employees who are covered under an employer’s health benefits plan</li> </ul>

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	covered employee during the period of COBRA coverage is considered a qualified beneficiary.	<p>for at least <b>three months</b> before the qualifying event; and</p> <ul style="list-style-type: none"> <li>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.</li> </ul> <p>Employees and qualified dependents who are eligible for federal COBRA coverage or Medicare are not eligible for state continuation coverage.</p>
<b>Qualifying Events</b>	<p>Events that trigger an obligation to offer COBRA coverage include:</p> <ul style="list-style-type: none"> <li>Termination of employment for reasons other than gross misconduct (all qualified beneficiaries);</li> <li>Reduction in the number of hours of employment (all qualified beneficiaries);</li> <li>Covered employee's becoming entitled to Medicare (spouse and dependent children);</li> <li>Divorce or legal separation of the covered employee (spouse and dependent children);</li> <li>Death of the covered employee (spouse and dependent children); and</li> <li>Loss of dependent child status under the plan (dependent children).</li> </ul>	Same as COBRA
<b>Maximum Continuation Period</b>	<p>The maximum duration of COBRA coverage depends on the type of qualifying event, as follows:</p> <p><b>18 months</b> - Employment termination or reduction in hours of work</p> <p><b>29 months</b> – 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</p>	<p>The maximum period of continuation coverage is <b>18 months</b>. This 18-month period may be extended in the following situations:</p> <ul style="list-style-type: none"> <li><b>Disability:</b> A qualified dependent 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 <b>11 months</b> (29 months total) if the qualified dependent</li> </ul>

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	<p>beneficiary with the disability and all of the qualified beneficiaries in the family.</p> <p><b>36 months</b> – Divorce or legal separation, employee’s death, entitlement to Medicare or loss of dependent child status</p> <p><b>36 months</b> – 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>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"> <li>• <b>Second qualifying event:</b> 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.</li> </ul> <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>
<b>Early Termination of Coverage</b>	<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"> <li>• Premiums are not paid on a timely basis;</li> <li>• The employer ceases to maintain any group health plan;</li> <li>• After the COBRA election, coverage is obtained with another employer group health plan (including any group health plan of a governmental employer); or</li> <li>• After the COBRA election, a beneficiary becomes entitled to Medicare benefits.</li> </ul>	<p>Continuation coverage may end before the maximum continuation coverage period if:</p> <ul style="list-style-type: none"> <li>• Premiums are not paid on a timely basis;</li> <li>• The employee or qualified dependent becomes eligible for Medicare or Medicaid or obtains any other health coverage (but only with respect to that person);</li> <li>• The employer terminates coverage under the health benefits plan for all employees and does not replace the coverage; or</li> <li>• A dependent child would otherwise lose coverage under the terms of the plan due to attaining a certain age (as to the dependent child).</li> </ul>
<b>Notice Requirements</b>	<p>Health plan administrators must provide an <b>initial general notice</b> when group health coverage begins. When a qualifying event occurs, health plan administrators</p>	<p>A small employer must notify eligible employees of their continuation coverage rights within <b>30 days</b> after the qualifying event. A written notice that is postmarked</p>

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	<p>must provide an <b>election notice</b> 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 <b>60th day</b> 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>within <b>44 days</b> 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 provides a <a href="#">sample continuation coverage notice</a> for employers to use.</p> <p>The eligible employee or qualified dependent must elect continuation coverage within <b>60 days</b> after the date of the notice.</p>
<b>Premium Rules</b>	<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>
<b>Applicable Statutes</b>	IRC § 4980B, ERISA §601 <i>et seq.</i> , 29 CFR §§ 2590.606–1 through 2590.606–4.	A.R.S. § 20-2330
<b>Government Agency Contact</b>	Departments of Labor and Treasury (private sector plans) and Department of Health and Human Services (public sector plans). More information on COBRA coverage is available from the <a href="#">Department of Labor</a> .	<a href="#">Arizona Department of Insurance and Financial Institutions</a>