



## SALUS GROUP

# COBRA: Premium Payments

The [Consolidated Omnibus Budget Reconciliation Act \(COBRA\)](#) requires group health plans to offer eligible individuals (referred to as “qualified beneficiaries”) the opportunity to continue their coverage when it would otherwise be lost due to certain specific events. Group health plans can require qualified beneficiaries to pay for COBRA coverage, although plan sponsors can choose to provide the coverage at reduced or no cost.

### Determining Premium Amounts

Plan sponsors are expected to calculate COBRA premiums “in good faith compliance with a reasonable interpretation” of COBRA’s requirements. COBRA premiums must be established **before a 12-month determination period**, which can be any 12-month period selected by the plan sponsor, but it must be applied consistently from year to year. Typically, the determination period is the plan year (for example, Jan. 1-Dec. 31 for a calendar year plan).

There cannot be a separate 12-month determination period for each qualified beneficiary. Rather, there must be a single 12-month determination period for all qualified beneficiaries who are covered under the same benefits package. An employer may apply different 12-month determination periods for different health plans or benefits packages.

### Payment Deadlines

Qualified beneficiaries cannot be required to pay a premium at the time they make the COBRA election. Plans must generally provide **at least 45 days** after the election for making an initial premium payment. If a qualified beneficiary fails to make any payment before the end of the initial 45-day period, the plan can terminate the qualified beneficiary’s COBRA rights.

The plan sponsor may establish due dates for later payments, but it must provide a **minimum 30-day grace period** for each payment. Plans are permitted to terminate coverage if full payment is not received before the end of a grace period. However, a special rule applies when premium payments are short by an insignificant amount.

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## Charging for COBRA

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- Most employers require employees to pay the full COBRA premium, although employers may subsidize or pay the entire cost of coverage.
- The maximum amount charged to qualified beneficiaries cannot exceed **102%** of the plan’s total cost of coverage.
- For qualified beneficiaries receiving the 11-month disability extension, the premium for those additional months may be increased to **150%** of the plan’s total cost of coverage.

## Premium Rules

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- COBRA premiums may be increased if the plan’s cost increases, but generally, they must be fixed in advance of each 12-month premium cycle.
- Information about COBRA premiums should be included in the COBRA election notice.