



Background and Legislation

Dear Reader:

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We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with municipal government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other MTAS website material.

Sincerely,

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Background

The year was 1985, and America faced a huge budget deficit. Add to that, more and more Americans were finding themselves uninsured and being denied care at their community hospitals. To address the growing budget deficit and uninsured rate, Congress enacted the Consolidated Omnibus Budget Reconciliation Act (COBRA) in 1986.

Landmark Federal Legislation

Congress passed COBRA on April 7, 1986. Among other things, COBRA amended the Employee Retirement Income Security Act (ERISA), the Internal Revenue Code, and the Public Health Service Act (PHSA), all of which mandated that most group health plans offer a continuation of health insurance when employees and beneficiaries would otherwise lose group health coverage

Public Health Service Act (PHSA)

The PHSA contains the provisions of the Consolidated Omnibus Budget Reconciliation Act that govern continuation of coverage under government-sponsored group health plans.

The COBRA statute contains provisions that bridge the gap to group health coverage created when employees experience certain life changes. COBRA allows qualified employees and beneficiaries the ability to continue group health insurance after losing coverage due to certain “qualifying events.” Prior to this statute becoming law, employees and their dependents were at risk of losing group health coverage when the employee carrying health insurance changed jobs, divorced, or experienced other qualifying events. COBRA requires a temporary continuation of health benefits at the group rate, which generally is the entire cost of continuation coverage, including the employee contribution plus the employer contribution plus any administration fee.

Intent of Legislation

While the intent of the legislation seemed simple — give workers the chance to continue their health insurance under circumstances that would normally cause them and their dependents to lose coverage — the result was cumbersome legislation that requires health plan administrators to perform a complex series of actions to ensure compliance with COBRA regulations. Employers and plan administrators are urged to use caution administering COBRA and to document carefully the timeliness of all notices sent or received.

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