



COBRA Premiums

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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COBRA Premiums

Reference Number: MTAS-897

COBRA premiums typically are set at 102 percent of the total cost of the plan. The plan can include the premium costs paid by employees and the employer, plus an additional two percent administration fee.

COBRA Premium

This is the amount the QB pays for continuation coverage. It usually is equivalent to the total employer premium plus a two percent administration charge.

Example COBRA Rates

Note: The numbers below are **hypothetical** and have no relation to actual COBRA premiums. This is for illustration purposes only.

Active Employee Rates

(Individual Health Coverage)

Employee Pays.....\$100 per month
 Employer Pays.....\$500 per month
 Total Cost.....\$600 per month

COBRA Rates (Individual Health Coverage)

Employee pays \$600 per month plus administration fees totaling \$612 per month. This includes employee and employer contributions plus a COBRA administration fee.

The Employer Contribution.....\$500 per month
 The Employee Contribution.....\$100 per month
 Two Percent Administration Fee.....\$12 per month
 Total COBRA Cost.....\$612 per month

This means group health coverage for COBRA participants usually is significantly more expensive than health coverage for active employees, since the employer usually pays a part of the premium for active employees, and COBRA participants generally pay the entire premium themselves. However, by law coverage under COBRA cannot exceed 102 percent of the actual cost of the coverage to the group plan. The one exception comes in the case of disabled beneficiaries who receive the 11-month extension, in which case the premium can be as high as 150 percent. In the case that a QB is eligible for an additional 11 months (beyond the original 18 months) of COBRA he could be charged up to 150 percent of the cost of the coverage for those additional 11 months.

Nevertheless, continuation of group health coverage under COBRA ordinarily is less expensive than individual health coverage and generally offers a richer benefit with less risk.

The plan must allow employees and QBs to pay the COBRA premiums on a monthly basis and may allow the employee to make payments on another schedule such as quarterly or weekly.

COBRA premiums generally are increased if the costs of health benefits or administration fees increase, but they typically are fixed for at least the coming year.

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