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ILLINOIS CONTINUATION AND COBRA

When an employee and/or dependent is terminated from an employer group plan, whether voluntarily or involuntarily, he or she must be supplied with their continuation rights within a specific time frame. The first thing you must determine is whether your client is subject to the Illinois Continuation Law or COBRA.

Illinois Continuation Law

The Illinois Continuation Law protects employees who lose their group health insurance coverage with an employer group of **ANY SIZE** due to termination of employment or reduction in hours below the minimum required by the group plan. It must be offered to members and their dependents who were continuously covered under the group policy for **three months** prior to the termination date.

Illinois Continuation does not apply if:

- Members were covered under the plan for less than three months
- Member was terminated for committing a work-related theft or felony and have admitted to or have been convicted of such felony
- Member is covered by Medicare
- Member is covered by any other insured or self-insured plan

Benefits available under IL Continuation

The benefits under the medical policy will be the same as under the previous group coverage. Dental, vision, disability and life are supplementary benefits and are not required to be available under the continuation coverage. *BCBSIL will allow a member to continue their dental plan under IL Continuation.*

Notification Deadlines

EMPLOYER – The employer must notify the ex-employee of his/her IL Continuation rights in writing within **10 days** of the termination of employment or reduction in hours. The notification must be given in person or by mail (Registered Mail is strongly encouraged).

MEMBER – The member must accept IL Continuation in writing within the 30-day period following the later of:

1. the date of employment termination or reduction in hours
2. or the date written notice of continuation rights is presented or mailed to the member

Typically, a member cannot elect IL Continuation more than 60 days after the date of termination. A request for exception must be made to the insurance company and is subject to review.

Cost of IL Continuation

The member is responsible for paying the entire premium for the coverage, including the portion which was formerly paid by the employer. The premium for IL Continuation may not exceed that of the group rate.

The premium is paid directly to the employer who in turn pays the health carrier. The employer should advise the due date of the premium each month; generally the first premium must be made at the time of election.



Length of Illinois Continuation

The maximum period of coverage under IL Continuation is **twelve (12) months** after the date the insurance stopped due to termination of employment or reduction in hours.

Coverage may terminate earlier than 12 months if:

- Member becomes eligible for Medicare
- Member fails to make their premium payment timely
- Member obtains coverage by any other group medical plan
- The employer's group policy is terminated in its entirety, and is not replaced with another group plan

[Illinois Insurance Facts – Illinois Continuation Fact Sheet](#)

[Sample Illinois Continuation Notice and Election Form](#)

Illinois Spousal Continuation Laws

Spouses and dependent children have rights under separate continuation laws when certain qualifying events have occurred. IL Spousal Continuation and IL Dependent Child Continuation must be offered to dependents **regardless of group size**.

IL Spousal Continuation

The IL Spousal Continuation Law protects a covered spouse and dependent children who lose group health insurance coverage due to certain qualifying events.

Qualifying Events

Spousal continuation may be triggered when one of the following qualifying events occurs: divorce from the employee, death of the employee or retirement of the employee. Coverage is available to:

- The divorced or widowed spouse (any age) and dependent children of the employee who were covered under the group plan on the day before the qualifying event;
- The spouse and dependent children of a retired employee, **if the spouse is age 55 or older**, who were covered under the group plan on the day before the qualifying event.

Notification Deadlines

The eligible spouse must notify the employer in writing within 30 days of the qualifying event. The employer must then notify the insurance company within 15 days after receiving the request for spousal continuation. The insurance company must notify the eligible spouse of her/his right to continuation within 30 days receipt of the notice from the employer. The spouse must return the continuation election form by certified mail within 30 days after the date of mailing receipt from the insurance company.



Cost of IL Spousal Continuation

If the eligible spouse is **under age 55**, the premium for IL Spousal Continuation is the amount that would be charged if he/she was an employee of the employer. The eligible spouse must pay the entire premium. If the eligible spouse is **age 55 or older**, for the initial two years of Spousal Continuation coverage, the premium is the amount that would be charged if he/she was an employee of the employer. After the initial two years of coverage, the premium may be adjusted to include a 20% administration fee.

Length of IL Spousal Continuation

Continuation resulting from an employee's death or divorce shall be offered for a maximum period of **two years if the eligible spouse is under age 55** at the time of the qualifying event. If the **eligible spouse is 55 or older** at the time of the qualifying event, the maximum period of **coverage extends until he/she is eligible for Medicare**.

Coverage may terminate earlier than the maximum period if:

- Member fails to make their premium payment timely
- Member obtains coverage by any other group medical plan
- The employer's group policy is terminated in its entirety and is not replaced with another group plan
- Member remarries

[Illinois Insurance Facts – Illinois Spousal Law Continuation Fact Sheet](#)

Illinois Dependent Child Continuation Law

The IL Dependent Child Continuation Law protects dependent children who lose group health insurance coverage due to certain qualifying events. This law applies to employer group plans of **any size**.

Qualifying Events

IL Dependent Child continuation may be triggered when one of the following qualifying events occurs: attainment of the limiting age under the policy or the death of the insured parent (and coverage is not available under the Spousal Continuation Law).

Notification Deadlines

The dependent child or responsible adult acting on behalf of the dependent child must notify the employer in writing within 30 days of the qualifying event.

Cost of IL Dependent Child Continuation

The premium for IL Dependent Continuation shall be the sum of the amount that would be charged to an employee (if the dependent child were an employee) plus any contributions the employer would have made on behalf of the employee.

Length of IL Dependent Child Continuation

Continuation coverage must be provided for a maximum of two years after the date the insurance stops because of attainment of limiting age or death of insured parent.



Coverage may terminate earlier than the maximum period if:

- Member fails to make their premium payment timely
- Member becomes an insured employee under any other group health plan
- The employer's group policy is terminated in its entirety and is not replaced with another group plan

[Illinois Insurance Facts – Illinois Dependent Child Continuation Fact Sheet](#)

COBRA

COBRA (Consolidated Omnibus Budget Reconciliation Act of 1985) is a federal law, enforced by the U.S. Department of Labor, which applies to employer group health plans who had **20 or more employees on more than 50% of the business days in the prior calendar year.**

Cobra does not apply to:

- Small employer plans (under 20 employees)
- Certain church and church-related plans
- Plans sponsored by the federal government (e.g. federal employee or military personnel plans)
- Disability income plans
- Life insurance and accidental death and dismemberment plans
- Long term care coverage
- Amounts contributed by an employer to a Medical Savings Account

Qualified Beneficiaries

A qualified beneficiary under COBRA may include any of the following members who were **covered on the group health plan at least one day prior to the qualifying event** :

- An employee
- Employee's spouse or former spouse
- Employee's dependent child

A child born or placed for adoption with a covered employee while on COBRA is also a qualified beneficiary and can be enrolled upon birth or adoption.

NOTE – an event is a qualifying event only if it causes the qualified beneficiary to lose coverage under the plan.

Qualifying Events

Qualifying Events for employees are:

- Termination of employment for any reason other than gross misconduct
- Reduction in hours
- Notifying the employer that the employee will not return to work from Family and Medical Leave Act (FMLA) leave of absence

Qualifying Events for spouses are:



- Termination of the covered employee's employment, for any reason other than gross misconduct
- Reduction in hours worked by the covered employee
- Death of the covered employee
- Divorce or legal separation from the covered employee

Qualifying Events for dependent children are:

- The same as for the spouse
- Loss of dependent child status due to reaching the maximum age for coverage

NOTE – Coverage under Medicare or other group health plans does not preclude the eligible member from electing COBRA coverage in addition to the other coverage.

Benefits available under COBRA

The benefits provided under COBRA coverage must be the same as under the group plan. These include medical, dental and vision plans. Life and Disability plans are not eligible for COBRA continuation.

Notification Deadlines

If a member experiences a qualifying event such as divorce or legal separation, or a dependent child's loss of coverage due to attainment of limiting age, he/she must notify their employer or Third Party Administrator (TPA) within 60 days of the qualifying event.

EMPLOYER - The employer must notify the employee and/or qualified beneficiaries of their right to elect COBRA within **14 days** of the qualifying event. If the group uses a TPA for COBRA administration, the employer must notify the TPA within 30 days of the qualifying event. The TPA then has 14 days to notify the qualified beneficiaries of their rights to COBRA coverage.

NOTE – Each qualified beneficiary may independently elect COBRA continuation coverage. For example, a dependent child may elect COBRA even if their parent declines the coverage.

MEMBER - The qualified beneficiary must notify their employer or TPA of their election of COBRA coverage within **60 days** of the qualifying event date or after the date the notice to elect COBRA was sent, whichever is later.

Cost of COBRA

The member must pay the entire premium for the coverage, including the part that was formerly paid by the employer. A 2% administrative fee may be added to the premium. If the COBRA is extended due to a disability, the premium may be increased to 150% of the non-COBRA premium for months 19 through 29.

The first initial premium payment must be made no later than **45 days** after the date COBRA was elected.



Length of COBRA

Under COBRA, an individual may be entitled to up to 18 months, 29 months, or 36 months of continuation coverage depending upon which qualifying events triggered the COBRA coverage.

An event is only a qualifying event if it caused the qualified beneficiary to lose coverage under the plan.

Qualifying Event	Who May Elect COBRA	Maximum Coverage Period
Termination of employment or reduction in hours	Employee and/or covered dependents	18 months
Disability of employee or covered family member at time of COBRA election or within 60 days after election	Employee and/or covered dependents	29 months (18 months plus extension of 11 months)
Divorce or legal separation	Spouse and/or dependent children	36 months
Death of employee	Spouse and/or dependent children	36 months after date of entitlement to Medicare OR 18 months (29 months if there is a disability extension) after the covered employee's employment terminates or his hours are reduced.
Loss of dependent child status	Dependent child	Dependent child

An 18 month extension may be available to a qualified beneficiary receiving an 18 month maximum required period of COBRA coverage (giving a total maximum period of 36 months of COBRA coverage) if the qualified beneficiary experiences a second qualifying event.

A second qualifying event is:

- The death of the covered employee
- The divorce or legal separation of the covered employee and spouse
- The covered employee's becoming entitled to Medicare
 - **Important:** Medicare entitlement of a covered employee is *not* a second qualifying event for a qualified beneficiary unless the Medicare entitlement would have resulted in a loss of coverage under the group health plan for the qualified beneficiary.
- A loss of dependent child status under the plan

A second event is only a qualifying event if it would have caused the qualified beneficiary to lose coverage under the plan in the absence of the first qualifying event. The qualified beneficiary must notify the plan employer or TPA if a second qualifying event occurs in order to extend the period of COBRA coverage.

COBRA coverage can be terminated when:

- Member reaches the last day of the maximum coverage
- Member fails to make their premium payment timely
- The employer ceases to maintain a group health plan
- Member obtains coverage with another employer group health plan and has satisfied any waiting periods for preexisting conditions under the new plan
- Member becomes entitled to Medicare after COBRA was elected*
- Member engages in conduct that would justify the employer terminating coverage of a similarly situated participant or beneficiary not receiving continuations coverage (such as fraud).

*If the member is already covered by Medicare or another group health plan when they experience a COBRA qualifying event, he/she can elect COBRA in addition to the other coverage. However, if the member obtains Medicare or other group coverage **after** the election of COBRA, then the COBRA coverage will be terminated.

[Illinois Insurance Facts – COBRA](#)

[Model COBRA Notice and Election Form](#)

[Employers Guide to COBRA](#)



Don't forget that Flex offers COBRA administration services including, but not limited to:

- Comprehensive service from initial notices to online reporting capabilities
- Dedicated customer service
- Simplified web access
- Flexible billing options

Contact your Flex Sales Representative for more information and pricing!