

Paying for COBRA

Employers can generally require qualified beneficiaries to pay the full premium for COBRA coverage, with no employer contribution, although plans can choose to provide COBRA coverage at reduced or no cost. **General payment rules under federal COBRA are outlined below; however, different requirements [may apply](#) under the laws of your state.**

COVID-19-Related Relief

COBRA Subsidies: The [American Rescue Plan Act](#) requires the full cost of COBRA premiums from **April 1, 2021 through Sept. 30, 2021** to be subsidized for eligible employees (and their family members) who lost or lose group health insurance due to **involuntary job loss** or **reduction in work hours**. The subsidy is funded through a tax credit to employers whose plans are subject to federal COBRA or are self-insured, to the plan for multiemployer plans, and to the insurer for other plans. Plan administrators must inform eligible individuals of the availability of COBRA premium assistance and provide notice of its expiration. [Click here](#) for more on these requirements. **The otherwise applicable rules for COBRA payments are described below.**

Deadline Extensions: [Disaster Relief Notice 2021-01](#) provides participants with additional time to comply with deadlines to elect and pay for COBRA coverage, as well as notify the plan of a qualifying event. **The information below illustrates the otherwise applicable general rules for COBRA notices.**

COBRA Payments - 102% of Premium

In general, the premium an employer charges qualified beneficiaries cannot exceed the full cost of the coverage, plus a 2% administration charge. For example, if the monthly premium for the qualified beneficiary was \$1,000 per month, the employer may charge as much as \$1,020 per month for COBRA coverage.

COBRA Payments for Disability - 150% of Premium

For qualified beneficiaries receiving the 11-month [disability extension](#) of COBRA coverage, the premium for those additional months may be 150% of the plan's total cost of coverage.

COBRA Premium Increases Generally Permitted

COBRA charges to qualified beneficiaries may be increased if the cost to the plan increases, but generally must be fixed in advance of each 12-month premium cycle. For example, if premiums for employees rise for a plan year, COBRA premiums may be increased as well.

Payment Schedules Under COBRA

A plan must allow qualified beneficiaries to pay premiums on a monthly basis, but may give them the **option** to make payments at other intervals (for example, weekly or quarterly). The initial COBRA premium payment must be made **within 45 days** after the date of the COBRA election.

When Payments Are Late

After the initial premium payment, subsequent premiums are considered timely if paid by the date due or within a **grace period of 30 days (or longer)** after the date due. Plans are permitted to terminate COBRA coverage if full payment is not received before the end of a grace period. However, if the premium is paid within the grace period for that period of coverage, the plan must then reinstate the coverage retroactively back to the beginning of the period of coverage.

When Payments Are Short

If the amount of a payment made to the plan is wrong, but is not significantly less than the amount due, the plan can **either**:

- Treat the amount submitted as full payment; or
- Notify the qualified beneficiary of the deficiency and grant a reasonable period of **no less than 30 days** to pay the difference.

Notice of Early Termination of COBRA Coverage

If, after a 30-day grace period, a qualified beneficiary has not paid the full premium, the plan may terminate COBRA coverage. If COBRA coverage is terminated early due to failure to make a timely payment, the plan is required to provide a [Notice of Early Termination](#) as soon as practicable.