



COBRA and HRA Plans

Are you an Employer that is subject to offering COBRA to an Employee upon leaving their employment? Do you also have a Health Reimbursement Arrangement (HRA) in place as one of the benefits offered to your Employees? If you answered yes, then you (the “Employer”) **MUST** allow the Employee the opportunity to COBRA the HRA benefit in conjunction with the medical benefit.

If you are subject to State Continuation (not COBRA), the HRA is typically not eligible for continuation, as State Continuation commonly is applicable to only fully insured medical plans.

How They Work Together

If an employee and/or their dependents had medical benefits and a HRA plan at the time the employee left employment and is subject to being offered COBRA, then the employee **MUST** be offered the option to elect the HRA benefit. *An employee is NOT PERMITTED to elect the HRA benefit alone.* The HRA may **ONLY** be elected as long as the individual continues with their medical benefits through COBRA.

The Employee’s Rate

The Employee (and their dependents, if applicable) would be charged the total monthly rate of medical premium currently charged to the Employer (plus a 2% administrative fee).

The Employee (and their dependents, if applicable) would also be charged the cost of the HRA benefit (if elected). This is calculated by taking the current annual HRA benefit and dividing it by 12 (represents the same 12 month period that coincides with the annual deductible of their insurance) plus a 2% administrative fee.

(EX: \$2000 [HRA annual] ÷ 12 [12 months] = \$166.66 + 2% [\$3.33] = \$169.99 HRA COBRA Premium)

While there are multiple ways to calculate the HRA COBRA premium, the simplest and most economical method accepted is by taking the annual benefit and dividing it by 12 months.

The Fee’s Collected/Claims Submission

If the HRA is elected **and the first payment has been received**, the Employee may still submit claims to O.C.A. Benefit Services as they normally would for processing. Reimbursements would be remitted as normal (either via check, EFT or directly to the Provider). Keep in mind; the Employee (and applicable dependents) would no longer have use of the MySource Debit card as federally guided under COBRA.

The Employer would be responsible for funding all reimbursements for legitimate claims submitted, whether the Employee has contributed enough through monthly contributions or not. Conversely, should an Employee terminate their COBRA having not submitted claims to recoup what they’ve contributed, those funds are forfeited to the Employer.

If you have additional questions or may be an Employer that is NOT subject to COBRA, please feel free to contact O.C.A. Benefit Services for additional guidance.

**3705 Quakerbridge Road · Mercerville · NJ · 08619
609/514-0777 (Office) · 609/514-2778 (fax) www.oca125.com**

This information is intended to provide guidance and summarize the highlights on this particular topic. It is not intended to be in lieu of legal counsel.