

# KEEPING CURRENT . . . on COBRA & HIPAA<sup>®</sup>

## COBRA AND RIGHTS OF QBs

Under COBRA, continuation coverage must be identical to the coverage that is currently available under the plan to similarly situated individuals who are covered under the plan and not receiving continuation coverage. (Generally, this is the same coverage that the qualified beneficiary had immediately before the qualifying event).

A qualified beneficiary receiving continuation coverage must receive the same benefits, choices, and services that a similarly situated participant or beneficiary is currently receiving under the plan, such as the right during an open enrollment season to choose among available coverage options.

The qualified beneficiary is also subject to the same plan rules and limits that would apply to a similarly situated participant or beneficiary, such as co-payment requirements, deductibles, and coverage limits. Any changes made to the plan's terms that apply to similarly situated active employees and their families will also apply to qualified beneficiaries receiving COBRA continuation coverage.

If a child is born to or adopted by a covered employee during a period of continuation coverage, the child is automatically considered to be a qualified beneficiary receiving continuation coverage. The plan must allow the child to be added to the continuation coverage.

## HIPAA ADDRESSES WELLNESS PROGRAMS

As employers provide incentives for workers to live healthier lifestyles, they are under pressure to devise ways to reward another group of employees -- those that already lead a healthy lifestyle.

More companies are adopting wellness programs as evidence mounts that the programs can help control overall health-care costs. In 2006, 43% of employers who offered health insurance also offered some type of incentive to encourage healthy behavior, according to the Society for Human Resources Management.

In December 2006, final HIPAA rules were released to help ensure non-discrimination in wellness programs. Effective July 1, the maximum discount an employer or insurer can provide for taking part in a program is 20% of a single employee's insurance premium.

Employer wellness programs that depend on health factors are required to meet the standards of the new regulations. In order to meet HIPAA requirements, a wellness program which bases its rewards on health factors must meet five basic requirements:

1. Limited Reward.
2. The program must be reasonably designed to promote health or prevent disease.
3. Once-a-year qualification for the reward.
4. The reward must be available to all "similarly situated" individuals.
5. Plan disclosures.

There are several "safe-harbor" explanations of how wellness programs can be designed to meet this requirement.

*For more information on these topics, contact:*

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