

COBRA Tips®

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Must We Offer COBRA to a Former Employee Who Moves Out of State?

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The following is an excerpt from [Questions and Answers from the COBRA Help Desk—Part III:](#)

Employer: We offer 2 mutually exclusive medical insurance plans. One is an HMO for in-state employees and the other is a PPO for out-of-state employees. One of our in-state employees has left employment, moved out of state and is seeking medical coverage under COBRA. Are we able to change his enrollment from the HMO to the PPO under COBRA coverage?

OnQue: You must present both the HMO and the PPO continuation coverage options to the former employee.

You must offer the HMO coverage because the IRS final regulations require plan administrators to always notify qualified beneficiaries of their continuation rights, even if the coverage is of no apparent value to them. While that requirement may seem illogical on its face, the final decision regarding the value of the coverage must be determined by the qualified beneficiary, not by the employer or plan administrator. For example, the former employee could decide to move back to the HMO service area before his COBRA election period expires. Thus, you must deliver the appropriate qualifying event notice and election form to the former employee.

However, because the qualified beneficiary has moved outside the HMO service area, you must also offer him the opportunity to elect the alternative PPO coverage, provided such coverage is available to any group of active employees and is extended to the qualified beneficiary's new location. The IRS final regulations require employers to make the alternative coverage available "...not later than the date of the qualified beneficiary's relocation, or, if later, the first day of the month following the month in which the qualified beneficiary requests the alternative coverage".

Be aware that the regulations do not require you to incur extraordinary costs under such circumstances, and you need not modify the plan to make it more useful to the qualified beneficiary.