COBRA Calculations

Determining the COBRA rate for the HRA portion of the benefit can be very complicated. As the plan sponsor, an employer is entitled to charge a separate premium for the HRA COBRA benefit in addition to the premium for the medical COBRA benefit; however the employer must determine the rate. Choice Strategies is unable to determine this rate for you. You can find guidance on calculating rates by accessing the following website:


Also, access the US Department of Labor’s website on COBRA continuation here:

http://www.dol.gov/dol/topic/health-plans/cobra.htm

You must use one of two methods to determine the COBRA premium:

**Past Cost Method:** Calculate HRA COBRA premiums based on past HRA utilization. Choice Strategies can send utilization reports to help you determine your historical utilization.

**Actuarial Determination Method:** Obviously, the Past Cost Method described above is only available if you have past costs. It won’t work for a brand new HRA. You can engage a licensed actuary to use their data and resources to determine the rate, or make a reasonable estimate of the cost of providing HRA coverage and use a formula to figure monthly premium.

Keep in mind with either method, you must calculate the HRA COBRA premiums each year, prior to the 12-month determination period (usually at the beginning of the Plan Year for the HRA or when rates change for the underlying insured plan). You cannot charge different HRA COBRA premiums to different beneficiaries. The premium must be the same for everyone, except for differences in reimbursement maximums (e.g. single vs. family coverage).