

What Type of COBRA Coverage Must Be Provided to Qualified Beneficiaries Who Are Relocating Out of Their HMO Service Region?

EBIA Weekly (July 3, 2025)

QUESTION: Our company has two qualified beneficiaries who have been receiving COBRA coverage for several months. They will soon be relocating and moving out of their HMO service region. What type of COBRA coverage must we now provide?

ANSWER: Ordinarily, employers are only required to provide coverage under COBRA that is the same as the coverage the qualified beneficiary had on the day before the qualifying event (subject to the qualified beneficiary's ability to change coverage at open enrollment, under HIPAA's special enrollment rules, or pursuant to a plan enrollment option). But there is an exception for certain region-specific plans such as HMO plans, when the coverage is provided only within a limited geographic area and the qualified beneficiary moves out of the area. If certain criteria are met, the employer must allow a qualified beneficiary to elect coverage under another plan of the employer that provides coverage in the new location. Here are some of the specific requirements.

- *Coverage Under Other Plan Must Be Offered Upon Request.* If a qualified beneficiary participating in an HMO moves out of the HMO service area, then the employer, within a reasonable period after the qualified beneficiary requests other coverage, must offer the qualified beneficiary the opportunity to elect coverage under any other option the employer makes available to active employees (assuming that the option can be extended to the qualified beneficiary's new location without extraordinary cost to the employer, as explained below).
 - — *What Other Coverage Must Be Offered?* If coverage available to similarly situated active employees can be extended to the qualified beneficiary's new location, then that coverage must be offered to the qualified beneficiary. For example, if an employer has locations in several states, and active employees in the qualified beneficiary's original location have both HMO and indemnity coverage, then that indemnity coverage must be offered to a relocating qualified beneficiary if it can be extended to the qualified beneficiary's new location. If no such coverage is available to similarly situated active employees, then the employer must offer any coverage that is available to any group of active employees. For example, if your company has several locations, and active employees in the qualified beneficiary's original location have only HMO coverage, indemnity coverage available to employees at another location must be offered to a relocating qualified beneficiary if that coverage can be extended to the qualified beneficiary's new location.
 - — *When Must Other Coverage Be Offered?* The other coverage must be offered whenever it is requested, whether at the time of initial COBRA election or after COBRA coverage under the HMO has commenced. The effective date of the coverage must be no 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 coverage.

- — *Extraordinary Costs Need Not Be Incurred.* Employers are not required to incur extraordinary costs to extend coverage to qualified beneficiaries in areas in which they have no active employees. For instance, if your company has an indemnity plan with a preferred provider organization, you need only provide benefits at the standard rate (not at the rate for preferred providers) to a qualified beneficiary who moves outside the service area of the preferred provider network. And a plan is not required to establish a separate schedule of usual, customary, and reasonable costs solely for qualified beneficiaries who reside in a region where no active employees work or reside.
- *Controlled Group Rules Apply.* Note that if the employer does not offer any other coverage that would provide services in the qualified beneficiary's new location, then the HMO option is the only coverage that must be provided. But keep in mind that the term "employer" is defined for COBRA purposes to include all members of a controlled group. Thus, even if your company does not have any other plan for active employees that will extend to the qualified beneficiaries' new locations, the plan of another controlled group member that provides coverage in the new location may be obligated to offer coverage.

For more information, see EBIA's COBRA manual at Sections X.C ("Coverage Offered Must Be Same as Before Qualifying Event") and X.G ("Coverage for Qualified Beneficiaries Who Move Outside of HMO Area").

Contributing Editors: EBIA Staff.