

Can We Increase COBRA Premiums Midyear to Match a Midyear Increase in Insurance Premiums?

EBIA Weekly (February 27, 2025)

QUESTION: Our group health insurance policy allows the insurer to increase our premiums midyear. If that happens, can we increase a qualified beneficiary's COBRA premium midyear to match the insurer's increase?

ANSWER: The IRS COBRA regulations generally do not permit such midyear increases. A group health plan may require a COBRA qualified beneficiary to pay an amount that does not exceed 102% of the "applicable premium" for the coverage. (This amount increases to 150% during an extension of the maximum coverage period due to disability.) The applicable premium must be computed and fixed prior to the start of a 12-month "determination period" and generally cannot be changed until the next determination period. The IRS COBRA regulations list only three exceptions to this general rule:

- A plan may implement the permitted increase from 102% to 150% for a qualified beneficiary whose maximum coverage period is extended due to disability;
- A plan that is requiring payment of less than the maximum permissible amount (i.e., less than 102% of the applicable premium) may increase the COBRA premium to that level; and
- A plan may increase the premium of a qualified beneficiary who changes coverage from one benefit package or coverage unit to another to the premium that was determined and fixed for the new benefit package or coverage unit before the determination period began.

So, if your plan is currently charging less than the maximum permissible COBRA premium, it can increase the COBRA premiums during the determination period to no more than 102% (or 150%, in the case of disability extension) of the applicable premium for the determination period. But if your plan is already charging the full COBRA premium amount allowed, it cannot increase the premium until the next determination period, even if the insurer increases its rates during the determination period. Instead, you must wait until the next determination period begins to increase the applicable premium and make a corresponding increase in COBRA premiums. Because of this harsh consequence, sponsors of insured plans should make every effort to have the insurer's rate period match the plan's 12-month COBRA determination period, and to lock in the premium charged by the insurer for that entire period, at least for COBRA purposes.

For more information, see EBIA's COBRA manual at Sections XXI.B ("Determining the 'Applicable Premium'—General Principles") and XXI.E ("Charging for COBRA—The COBRA Premium").

Contributing Editors: EBIA Staff.