

# Court Allows COBRA Online Processing Fee Case to Proceed

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[\*Patterson v. WEX, Inc.\*, 2026 WL 370183 \(N.D. Cal. 2026\)](#)

A COBRA participant sued the plan's third-party administrator (TPA) under state consumer fraud and similar laws, alleging (among other things) that the fee charged for using the TPA's online payment platform exceeded statutory maximums. The platform allowed eligible COBRA beneficiaries to enroll and pay for COBRA coverage online. Recurring debit card or ACH payments could be made with no additional charge, but each one-time online payment incurred a \$20 processing fee. In addition, participants wishing to pay in advance for multiple months were required to complete a separate transaction for each month, resulting, for example, in processing fees of \$120 for six months of coverage. According to the participant, the processing fee was not disclosed until the final payment screen, and the TPA failed to adequately inform users of alternative payment methods by which the fee could be avoided. The participant asserted that the processing fee exceeded COBRA's 2% administrative fee cap in that the \$20 fee was 2.5% of his monthly premium.

The court rejected the TPA's request to dismiss the case, allowing several claims to proceed. The court concluded that the participant plausibly alleged deceptive conduct under state law, determining that delayed disclosure of the fee and its characterization as a processing fee rather than an administrative fee could mislead participants, especially when the fee amount exceeded statutory limits.

**EBIA Comment:** As the court explained, the maximum that can be charged to COBRA participants is the full premium amount (e.g., 100% of the cost of insurance coverage), plus a 2% administrative fee. While the outcome of the case is yet to be determined, it is a good reminder to plan sponsors and TPAs to ensure that any fees associated with COBRA payments—online or otherwise—are clearly and timely disclosed. Additionally, any alternative payment methods that avoid extra fees should be communicated effectively to participants. For more information, see EBIA's COBRA manual at Sections XXI.E ("Charging for COBRA—The COBRA Premium") and XXII.B ("Premium Payment Methods").

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