

Arizona Continuation of Benefits

Covered Employers and Health Plans

Health benefits plans issued by employers with **fewer than 20 employees** during the preceding calendar year are subject to Arizona's continuation coverage law.

A **“health benefits plan”** means a hospital and medical service corporation policy or certificate, a health care services organization contract, a group disability policy, a certificate of insurance of a group disability policy that is not issued in this state, a multiple employer welfare arrangement or any other arrangement under which health services or health benefits are provided to two or more individuals.

As a general rule, employer-sponsored group health plans subject to federal COBRA are not subject to Arizona's continuation coverage law. Also, self-insured ERISA plans sponsored by a single employer (or a group of employers under common control) are not subject to state insurance laws, including state mini-COBRA laws. Non-ERISA plans that are self-insured should consult their plan's terms.

Qualified Beneficiaries

- Employees who are covered under an employer's health benefits plan for at least 3 months before the qualifying event; and
- Qualified dependents who are covered under the health benefits plan immediately before the qualifying event and who are spouses or dependent children of eligible employees.

Employees and qualified dependents who are eligible for federal COBRA coverage or Medicare are not eligible for state continuation coverage.

Qualifying Events

- Same as federal COBRA.

Maximum Continuation Period

The maximum period of continuation coverage is 18 months. These 18 months may be extended in the following situations:

- **Disability:** A qualified dependent who has a disability (as determined by the SSA) at the time of a qualifying event may be eligible to continue coverage for an additional 11 months (29 months total) if the qualified dependent provides the written determination of disability to the employer within 60 days after the date of the disability determination and before the end of the original 18-month continuation coverage period.
- **Second qualifying event:** A qualified dependent may be eligible to continue coverage for an additional 18 months (36 months total) if, during the original 18-month period, one of the following qualifying events occurs—divorce or legal separation, employee’s death, employee’s eligibility for Medicare or loss of dependent child status under the plan.

Special rules also apply to eligible employees who are in the military reserve or national guard and are called to active duty. These rules allow the maximum continuation coverage period to be extended in certain circumstances.

Early Termination of Coverage

Continuation coverage may end before the maximum continuation coverage period if:

- Premiums are not paid on a timely basis;
- The employee or qualified dependent becomes eligible for Medicare or Medicaid or obtains any other health coverage (but only concerning that person);
- The employer terminates coverage under the health benefits plan for all employees and does not replace the coverage;
or
- A dependent child would otherwise lose coverage under the terms of the plan due to attaining a certain age (as to the dependent child).

Notice Requirements

A small employer must notify eligible employees of their continuation coverage rights within 30 days after the qualifying event. A written notice that is postmarked within 44 days after a qualifying event and mailed by the employer to the employee's last known address satisfies this notice requirement. Notice to the eligible employee constitutes notice to any qualified dependent unless the employer knows there is a qualified dependent who does not live at the same address and knows the dependent's address.

- The Arizona Department of Insurance provides a sample continuation coverage notice for employers to use.
- The eligible employee or qualified dependent must elect continuation coverage within 60 days after the date of the notice.

Premium Rules

The maximum amount charged for continuation coverage cannot exceed the full cost of coverage (which includes the employer's contribution and the employee's contribution) and an administrative fee that cannot exceed 5 percent of the premium.

If continuation coverage is extended due to a qualified dependent's disability, the employer may charge up to 150 percent of the group rate during the 11-month disability extension.

Qualified beneficiaries who elect continuation coverage must submit the first month's premium to the employer within 45 days after the election to continue coverage.

For more information, contact the [Arizona Department of Insurance and Financial Institutions](#).

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