

CASE LAW

COBRA Extensions - Secondary Events and Disability

Gibbs v. Anchorage School District

(United States District Court for the District of Alaska, 1995 U.S. Dist. LEXIS 6290 (D. Alaska 1995))

Christine Gibbs, an employee of the Anchorage School District, was continuing her group health insurance through COBRA during her one year leave of absence. Her COBRA coverage was scheduled to run from August 31, 1993, to February 28, 1995. In March 1994, Gibbs requested a second one year leave of absence. The school approved the second leave. Gibbs wished to continue her COBRA coverage beyond the original 18 month period and asserted that the second leave of absence constituted a second reduction of hours, entitling her to 36 months of COBRA coverage. The Anchorage School District disagreed, and this lawsuit was the result.

Gibbs argued that her second leave of absence triggered a second Qualifying Event, allowing her an additional 18 months of COBRA. She cited wording in the COBRA statute, which stipulates that, in the case of a termination or reduction of hours if another Qualifying Event occurs during the initial 18 month coverage period, the Qualified Beneficiary is entitled to an additional 18 months of coverage. This second event results in coverage being stacked for a total of 36 months of coverage.

The school district, on the other hand, asserted that Gibbs's reduction of hours was merely extended, and a new reduction of hours did not occur. Therefore, the school district claimed that only 18 months of COBRA coverage should be allowed.

The two questions the court dealt with were:

1. Did Gibbs experience a reduction of hours followed within 18 months by a second reduction of hours?
2. Did Congress intend two reductions of hours to have the same 36 months as would be allowed, according to this court, under a reduction of hours followed by a termination of employment?

The court found the second leave was, indeed, a **second** reduction of hours. On the other point, regarding Congress's intent, the court referred to many sources: the statute, proposed regulations, legislative history and case law. After a lengthy review, it was the opinion of the court that a reduction of hours, followed within 18 months by a termination of employment, allows 36 months of COBRA coverage. So, too, a reduction of hours, followed within 18 months by a second reduction of hours, would allow the same 36 month result. The court granted declaratory judgment in Gibbs's favor and ordered the school to provide her with 36 months of COBRA coverage.

The 1999 Final Regulations clarified that a termination of employment following a Qualifying Event that is a reduction of hours (or two 18 month events) cannot be a second Qualifying Event that extends the maximum coverage period.