



COBRA

Administration Support

COBRA – not new, but still important

The Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) gives employees and covered dependents the option to continue group health coverage after certain “qualifying events” that would otherwise end their coverage. Its requirements are complex, and the penalties to an employer for noncompliance are significant. That’s where CBSA can help.

Let’s talk

COBRA provides important protection for your plan participants, but there’s value in delegating the administrative tasks to CBSA. We can help you get the job done while you free up your staff to focus on other business priorities.

Ask your CBSA sales representative about our long-standing COBRA Administration Support Program.

What our COBRA Administration Support Program can do for you

- Notify all employees and covered dependents about COBRA eligibility at the time of plan enrollment
- Notify employees, beneficiaries and dependents of their right to continue under COBRA after a qualifying event
- Track response deadlines for election forms
- Send payment coupons to COBRA participants and inform them of amount due
- Track maximum time for receipt of initial premium
- Collect premium from COBRA participants
- Retain accurate records showing proof of compliance
- Notify COBRA participants of conversion rights (if applicable)
- Send termination notices of COBRA coverage for nonpayment of premium

For a refresher course on COBRA requirements, read on ...

COBRA compliance facts

Any employer with an average of 20 or more employees on a typical business day must comply with COBRA. This includes part-time and temporary employees as well as those in a separate company even if they are not plan participants. Church and federal government plans are excluded.

The continued group health coverage must be identical to what is provided to other participants. Evidence of good health cannot be required.

If a conversion privilege is available under the plan, COBRA participants must be given the same option.

Real help.
Real savings.



**CORPORATE BENEFIT SERVICES
OF AMERICA, INC.**

www.cbsainc.com

COBRA compliance facts *continued*

Qualifying events

COBRA established certain circumstances where continuation of coverage must be offered. Some of the qualifying events are:

- voluntary or involuntary termination (other than for gross misconduct) or reduction in hours, including retirement
- death of the covered employee
- divorce or legal separation of the covered employee
- a dependent child ceasing to be eligible as defined by the plan
- a covered employee becoming entitled to Medicare benefits

Length of coverage

Coverage must be offered for:

- 18 months after a covered employee's termination or reduction of hours, or
- 36 months after a dependent's loss of coverage not associated with the employee's termination of coverage.

If employees or covered dependents become disabled and eligible for Social Security disability benefits within 60 days of reduction of hours or termination, they may extend the maximum period of coverage from 18 months to 29 months.

The maximum time may be shortened in several situations such as becoming covered under another group plan with no pre-existing conditions, being entitled to Medicare benefits, nonpayment of premium, or discontinuation of the group health plan for all employees.



Required notifications

The notification process is a significant part of compliance with COBRA. Required notices include an initial COBRA notice when employee is first covered by a plan as well as specific qualifying event notices within established time frames.

Since potential legal claims may require proof of mailing the required notices, accurate records must be kept.

Consequences and penalties for noncompliance

The financial implications of noncompliance with COBRA give employers a strong incentive to comply.

- Under the Internal Revenue Code Section 162, a tax deduction will not be allowed for employer-sponsored group health plan unless all plans maintained by the employer provide continuation of coverage.
- ERISA provides that employers may also be subject to a penalty of up to \$110 per day per employee, retroactive to the date of the COBRA event, for failure to send a notice or refusal to comply with any request for information about coverage requirements. This penalty can only be awarded by a court as a result of legal action, but since the fines are payable to the qualified beneficiary and not to the government, the qualified beneficiary may choose to pursue it.
- Another provision of ERISA allows a COBRA-eligible qualified beneficiary to sue the employer for damages, medical expenses and attorney's fees resulting from not having the opportunity to receive continuation of coverage. This can result in significant financial loss.

Real help.
Real savings.