

Brought to you by:



COBRA Administration

for
dummies[®]
A Wiley Brand



Learn the basics of
COBRA administration

—
Understand timelines
and notifications

—
Avoid costly mistakes
to stay compliant

ConnectYourCare
Special Edition

ConnectYourCare
COBRA Team

About ConnectYourCare

As people who can make sense of the evolving health care landscape, ConnectYourCare gives employers a fighting chance against skyrocketing health care costs, while offering employees a valuable benefit they use and appreciate to better manage health savings. Delivering return on investment and efficiencies at every turn; giving individuals tools they can use to make better informed choices, including renowned service representatives; simplifying the entire process with market-setting technology solutions — and continually developing new features and options — are the core competencies that have allowed ConnectYourCare to grow a loyal and highly satisfied client base of organizations of every size. Find out more at www.connectyourcare.com.



COBRA Administration

ConnectYourCare Special Edition

**by ConnectYourCare
COBRA Team**

**for
dummies**[®]
A Wiley Brand

COBRA Administration For Dummies[®], ConnectYourCare Special Edition

Published by

John Wiley & Sons, Inc.

111 River St.

Hoboken, NJ 07030-5774

www.wiley.com

Copyright © 2020 by John Wiley & Sons, Inc.

No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning or otherwise, except as permitted under Sections 107 or 108 of the 1976 United States Copyright Act, without the prior written permission of the Publisher. Requests to the Publisher for permission should be addressed to the Permissions Department, John Wiley & Sons, Inc., 111 River Street, Hoboken, NJ 07030, (201) 748-6011, fax (201) 748-6008, or online at <http://www.wiley.com/go/permissions>.

Trademarks: Wiley, For Dummies, the Dummies Man logo, The Dummies Way, Dummies.com, Making Everything Easier, and related trade dress are trademarks or registered trademarks of John Wiley & Sons, Inc. and/or its affiliates in the United States and other countries, and may not be used without written permission. ConnectYourCare and the ConnectYourCare logo are registered trademarks of ConnectYourCare. All other trademarks are the property of their respective owners. John Wiley & Sons, Inc., is not associated with any product or vendor mentioned in this book.

LIMIT OF LIABILITY/DISCLAIMER OF WARRANTY: THE PUBLISHER AND THE AUTHOR MAKE NO REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE CONTENTS OF THIS WORK AND SPECIFICALLY DISCLAIM ALL WARRANTIES, INCLUDING WITHOUT LIMITATION WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE. NO WARRANTY MAY BE CREATED OR EXTENDED BY SALES OR PROMOTIONAL MATERIALS. THE ADVICE AND STRATEGIES CONTAINED HEREIN MAY NOT BE SUITABLE FOR EVERY SITUATION. THIS WORK IS SOLD WITH THE UNDERSTANDING THAT THE PUBLISHER IS NOT ENGAGED IN RENDERING LEGAL, ACCOUNTING, OR OTHER PROFESSIONAL SERVICES. IF PROFESSIONAL ASSISTANCE IS REQUIRED, THE SERVICES OF A COMPETENT PROFESSIONAL PERSON SHOULD BE SOUGHT. NEITHER THE PUBLISHER NOR THE AUTHOR SHALL BE LIABLE FOR DAMAGES ARISING HEREFROM. THE FACT THAT AN ORGANIZATION OR WEBSITE IS REFERRED TO IN THIS WORK AS A CITATION AND/OR A POTENTIAL SOURCE OF FURTHER INFORMATION DOES NOT MEAN THAT THE AUTHOR OR THE PUBLISHER ENDORSES THE INFORMATION THE ORGANIZATION OR WEBSITE MAY PROVIDE OR RECOMMENDATIONS IT MAY MAKE. FURTHER, READERS SHOULD BE AWARE THAT INTERNET WEBSITES LISTED IN THIS WORK MAY HAVE CHANGED OR DISAPPEARED BETWEEN WHEN THIS WORK WAS WRITTEN AND WHEN IT IS READ.

THIS BOOK IS INTENDED FOR INFORMATIONAL PURPOSES ONLY AND SHOULD NOT BE RELIED ON AS LEGAL OPINION OR ADVICE. COBRA AND CONTINUATION LAWS ARE COMPLICATED AND MUST BE DISCUSSED WITH YOUR ATTORNEYS OR ADVISORS. PLEASE ALSO NOTE THAT ALL LAWS ARE SUBJECT TO CHANGE AND THAT WE DO NOT REPRESENT THAT THE INFORMATION IN THIS BOOK IS CURRENT.

For general information on our other products and services, or how to create a custom *For Dummies* book for your business or organization, please contact our Business Development Department in the U.S. at 877-409-4177, contact info@dummies.biz, or visit www.wiley.com/go/custompub. For information about licensing the *For Dummies* brand for products or services, contact BrandedRights&Licenses@Wiley.com.

ISBN: 978-1-119-69868-5 (pbk); ISBN: 978-1-119-69948-4 (ebk)

Manufactured in the United States of America

10 9 8 7 6 5 4 3 2 1

Publisher's Acknowledgments

Some of the people who helped bring this book to market include the following:

Project Editor:

Carrie Burchfield-Leighton

Sr. Managing Editor:

Rev Mengle

Business Development Representative:

Molly Daugherty

Acquisitions Editor:

Tracy Boggier

ConnectYourCare Key Contributors:

Pamela Bell,
COBRA Operations Manager;
Brendan Fallon, Associate Counsel;
Pete Caporale, Vice President,
Operations; Timothy Sand,
Chief Operating Officer; and
Jaclyn Cooksey, Managing Editor

Client Acknowledgments

Special thanks to Steve Grieco, Chief Executive Officer; Reese Feuerman, Chief Financial Officer; Harrison Stone, General Counsel; Barbara Boudreau, Executive Vice President of Strategic Development; Shawna Stephenson, Vice President, Marketing; and Jamie Janvier, Director of Marketing

Table of Contents

INTRODUCTION	1
About This Book	1
Foolish Assumptions	1
Icons Used in This Book.....	2
Beyond the Book.....	2
CHAPTER 1: Exploring the Basics.....	3
Explaining What COBRA Is.....	3
Recognizing governing federal law.....	4
Seeing what state regulations apply.....	4
Looking at When and Whether COBRA Comes into Play	5
Considering Who COBRA Covers.....	6
Noting the events that trigger COBRA.....	6
Matching employee status with COBRA requirements.....	7
Extending to spouses and dependents.....	7
Considering What COBRA Covers.....	8
Making sure to include what's required.....	8
Leaving out what isn't covered.....	9
CHAPTER 2: Administering COBRA	11
Collecting Information from Employees.....	11
Sharing Information with Employees	13
Defining Employer and Employee Responsibilities.....	15
Keeping plan participants informed.....	16
Noting changes to COBRA benefits	17
Keeping track of the paperwork	18
Staying on top of information from plan participants	19
Assigning the Costs	19
Meeting administrative costs	20
Collecting premiums from recipients.....	20
Outsourcing COBRA Administration	21
Weighing costs and benefits.....	21
Finding a reputable company.....	22

CHAPTER 3:	Getting the Timing Right	23
	Making Timely Notifications.....	23
	Telling qualified folks that they're qualified.....	23
	Keeping third-party administrators in the loop	24
	Continuing COBRA Coverage as Required	25
	Granting an employee 18 months of COBRA	25
	Covering family for 36 months.....	25
	Extending coverage under certain circumstances.....	26
	Following Procedure When COBRA Ends	26
CHAPTER 4:	Staying Compliant and Avoiding Pitfalls	29
	Staying on Top of the Paperwork	29
	Keeping policies and manuals current.....	30
	Documenting tax and other legal filings	30
	Keeping participant records complete and up to date	31
	Triggering Penalties	31
	Developing a healthy fear of federal fines.....	32
	Running afoul of state and civil sanctions	32
CHAPTER 5:	Ten Tips for Administering COBRA	35
	Making Sure You're Required to Offer COBRA	35
	Keeping Good Records	36
	Knowing the Events That Trigger COBRA	36
	Staying in Touch with COBRA Recipients.....	37
	Knowing What You Need to Provide.....	38
	Staying on Top of Deadlines	38
	Supplying COBRA for as Long as Necessary	38
	Realizing That a COBRA Recipient May Be a Spouse or Dependent.....	39
	Managing the Money Correctly	39
	Steering Clear of Fines	39
	Turning to an Outside Administrator.....	40

Introduction

An employer, or anyone administering health benefits for an employer, needs to be aware of and stay on top of the Consolidated Omnibus Budget Reconciliation Act (COBRA) provisions. COBRA is a collection of government regulations that gives employees and their family members the right to continue the health care coverage they enjoyed through an employer after losing that coverage for any of a variety of reasons.

COBRA requirements are specific but haven't changed much since the law was passed in 1985.

About This Book

This book is for people who administer COBRA. If you're one of that honored group, this slim volume can help you understand COBRA and your role in meeting its requirements. If you're eager to expand your COBRA knowledge and wonder where to head first, check out these points:

- » Basics about what COBRA is and what triggers activation of its provisions are covered in Chapter 1.
- » Chapter 2 explores money matters and the administrative process of COBRA.
- » When to do what you need to do (to meet COBRA standards) is the focus of Chapter 3.
- » Chapter 4 presents the requirements regarding paperwork and touches on legal penalties that can be levied when COBRA standards aren't met.
- » Quick tips and an overview of the major COBRA provisions are in Chapter 5.

Foolish Assumptions

For the purpose of this book, we assume that you're involved in administering COBRA benefits. You may work in-house for your company's human resources department, be a benefits

broker who advises employer clients on their health care benefits offerings, or serve as a consultant who provides administrative services for companies that choose to outsource human resources obligations — or specifically COBRA obligations.

No matter who signs your paycheck — and we certainly hope you're getting paid to know about COBRA — you want or need the information this book provides.

Icons Used in This Book

The icons in the margin serve to draw attention to specific information. The icons in this book and the type of information each highlights are as follows:



TIP

The Tip icon gives you on-target information that can make your job easier.



REMEMBER

As you administer COBRA benefits, keep in mind these nuggets of information.



TECHNICAL
STUFF

Legal points and other information that illustrate a point, but aren't strictly necessary to understanding the topic at hand, are highlighted with this icon. Skipping this info won't impair your understanding.



WARNING

The Warning icon alerts you to behaviors or actions that are best to avoid.

Beyond the Book

COBRA falls under the Department of Labor umbrella and is part of the provisions of the Employee Retirement Income Security Act (ERISA). For further information beyond what this short book can offer, visit www.dol.gov/general/topic/health-plans/cobra.

IN THIS CHAPTER

- » Starting with some explanations
- » Determining when and whether to offer COBRA benefits
- » Checking the coverage

Chapter 1

Exploring the Basics

The provisions of the Consolidated Omnibus Budget Reconciliation Act (COBRA) dictate that employers who offer their employees a group health plan have to give folks covered by that plan the option to continue coverage after specific events occur that cause them to no longer have health benefits (such as losing a job or turning 26 and becoming too old to stay on their parent's health plan).

In this chapter, we shed some light on COBRA basics — what it is, who has to offer it, and what it covers.

Explaining What COBRA Is

COBRA ensures that an employee covered under a group health care plan through her employer has the option to continue that coverage under certain circumstances — at least for a while and as long as she's willing to pay for it. A spouse, former spouse (if covered at the time of change in status), and dependents covered under an employee's health care plan are also eligible for COBRA continuation coverage.

Recognizing governing federal law

The Employee Retirement Income Security Act (ERISA) is the federal law that determines the standards that private employers must meet when it comes to retirement and health care plans. COBRA provisions fall under ERISA regulations.

In most cases, a company with 20 or more full-time employees that offers a group health plan must offer to continue that coverage when a qualified employee leaves the company or otherwise loses health care coverage. Check out the section “Noting the events that trigger COBRA” for information about who qualifies for COBRA coverage.



REMEMBER

COBRA requirements apply only to health care coverage. Pension plans, and other benefits unrelated to health care, aren't subject to COBRA. Some employers may offer extensions of other benefits to departing employees, their spouses, or their dependents, but that's totally up to the employer.

Seeing what state regulations apply



REMEMBER

Along with making sure you meet federal COBRA standards, you need to be aware of any state regulations. Additional state regulations are referred to as *mini-COBRA laws*, and almost every state and the District of Columbia has them. The only states that currently don't have mini-COBRA regulations are Alabama, Alaska, Arizona, Idaho, Indiana, Michigan, and Montana.

State regulations can differ from federal requirements. For example, state regulations may

- » Require standard continuation coverage to extend longer than the 18 months mandated by COBRA
- » Have a lower threshold than the 20 full-time employees that subject employers to continuation requirements under COBRA



TIP

Getting in touch with your state insurance regulatory office or department of labor is your best bet to get accurate information about what you need to do to stay on the right side of the law in your state.

Looking at When and Whether COBRA Comes into Play

Knowing when and whether COBRA benefits kick in is pretty cut and dried. The *when* and *what* are determined by federal and state laws. All you have to do is make sure that you follow the laws.



TIP

A company that goes bankrupt or out of business faces special challenges in efforts to continue health care coverage as well as other benefits. Consult legal counsel or your benefits advisor to determine what to do under these circumstances.

Whether your company must offer COBRA coverage is determined by a couple of factors:

- » **The company offers a group health plan.** For COBRA purposes, an employer can be a state or local government entity as well as a company. Church plans are exempt from having to offer COBRA benefits.
- » **The company employs 20 or more people who worked more than half of the business's working days in the previous year.** The 20 employed people can be a combination of full- and part-time employees. You may have to do a little math to determine whether your company has the equivalent of 20 full-time employees, or 20 *FTEs* — full-time equivalent employees.

For example, an employee who works part-time three days a week counts as three-fifths of a whole, so if you pair that employee with one who works two days a week, you can add two-fifths and three-fifths and count one whole employee — an *FTE*. The math may get a bit more complicated, but you get the idea.



REMEMBER

Under the Affordable Care Act, popularly known as Obamacare, a full-time employee is one who works 30 hours per week.

Considering Who COBRA Covers

Being qualified to buy into an extension of health care benefits means either that

- » A person was covered by an employer's health plan as an employee.
- » A person was a spouse or dependent covered under an employee's plan.



REMEMBER

Essentially, someone who qualifies for health care coverage in the first place and was covered at the time of a COBRA-qualifying event is eligible for COBRA benefits, too.

Noting the events that trigger COBRA

A *qualifying event* for COBRA is one that causes a covered person to lose her employer-sponsored health coverage. Anyone covered under an employer-sponsored health plan can lose coverage under certain situations.

Listing qualifying events for employees

Sample events that make an employee eligible for COBRA benefits include the following:

- » Being fired or laid off
An employee who's fired for "gross misconduct" doesn't qualify for COBRA benefits. This is a high bar, so it's best to speak to your legal counsel or a benefits advisor prior to making a determination to deny benefits.
- » Having hours reduced below the company's minimum for health coverage
- » Retiring
- » Switching employers



REMEMBER

Triggering events for non-employees

Employees aren't the only people who can benefit from COBRA coverage. Anyone covered under an employee's health plan — a spouse, former spouse (if covered at time of status change), or covered dependent, for example — can qualify for COBRA extensions.

A covered non-employee may qualify for COBRA when

- » The covered employee dies.
- » The covered employee qualifies for Medicare.
- » A divorce or legal separation from the covered employee means that a spouse or dependent loses health care coverage.
- » A dependent who was covered turns 26 and ages out of being eligible under a covered parent's plan.

Matching employee status with COBRA requirements

What a difference a day can make. Someone covered under an employer-sponsored health care plan yesterday, who experiences a triggering event that causes her to lose coverage today, qualifies for COBRA benefits. (Check the preceding section, “Noting the events that trigger COBRA” for qualifying events.)



REMEMBER

An employee in good standing, which really means one not fired for “gross misconduct,” can choose to pay to continue to be part of the group health plan. Independent contractors, the company’s agents, and company directors who participate in the group health plan are entitled to COBRA benefits.

Extending to spouses and dependents

Spouses and former spouses who received health care coverage through a covered employee’s health plan are entitled to COBRA benefits when they lose health care through a triggering event. Likewise, dependents (including children in the process of being adopted) who have health care coverage before a triggering event can extend that coverage under COBRA provisions.



REMEMBER

A birthday can be a triggering event. Under current health care law, a dependent can remain on a parent’s policy until she turns 26. So, if a dependent loses health care coverage because she passed the 26-year threshold, she can continue coverage through COBRA.

Considering What COBRA Covers

COBRA was enacted to give employees leaving a company for any of number of reasons (see the preceding sections in this chapter) the option to continue their health insurance coverage.

Making sure to include what's required

COBRA applies exclusively to health care benefits. If your company sponsors a health care plan for employees, those benefits must be offered to qualified people who lose coverage for any of the reasons set out in the section “Noting the events that trigger COBRA.”

The medical benefits that your plan offers must also be offered to those who qualify for COBRA. These benefits include

- » Physician visits
- » Hospitalization
- » Prescription coverage
- » Surgery costs
- » Vision and dental coverage
- » Employee Assistance Program (EAP)

EAP benefits — confidential advice on dealing with work and life stressors — are included as COBRA benefits, as long as the program has trained counselors.

- » Money in a Health Reimbursement Arrangement (HRA) or a health care Flexible Spending Account (FSA)

An HRA is an employer-funded account used to reimburse employees for qualified health care expenses.

A health care FSA allows a person who belongs to an eligible health plan to set aside tax-free money to pay for qualified medical expenses. An FSA may also allow tax-advantaged money to be saved and spent for items unrelated to health care, such as child care (also known as a *dependent care FSA*). COBRA applies to health care FSAs but not to dependent care FSAs.



TECHNICAL
STUFF



TECHNICAL
STUFF

In order to make use of remaining FSA benefits administered by an employer's health plan, the former employee must choose to continue to belong to that health plan by signing up for COBRA continuation.

A qualified person can spend the funds in a medical savings account if she chooses the COBRA extension but can't make any more pre-tax contributions. However, if the plan is deemed a High Deductible Health Plan, a participant can choose to make post-tax contributions — and then deduct the contributions if she itemizes at tax time.

Leaving out what isn't covered

Many companies offer a wide range of perks and financial benefits, but COBRA covers only health care benefits and nothing more.



REMEMBER

Some of the financial benefits COBRA doesn't cover include

- » Life insurance
- » Disability benefits
- » Dependent care FSAs
- » Health Savings Accounts (HSAs)



TECHNICAL
STUFF

If a health care plan is supplemented with an HSA, a participant can put money into an account tax free and spend that money on qualified health care expenses or save that money for retirement. But, because HSAs are owned by the employee and aren't actually health care benefits, they aren't included in continuation coverage benefits. When COBRA benefits kick in, a participant can still spend the money in the plan but can't open an HSA or continue to contribute to one through her employer. However, if a participant is enrolled in a High Deductible Health Plan through COBRA, then she may be able to open an HSA or continue to contribute to an HSA directly through her HSA custodian. You should also note that a participant may be eligible to pay COBRA premiums or have COBRA premium payments reimbursed from her HSA.

Just because COBRA doesn't require the continuation of benefits unrelated to health care doesn't mean a company can't offer extended benefits through a third-party administrator (TPA). These services, billed directly to the recipient, are transparently called *direct bill services*. So, a retired employee may choose to continue to pay the premiums for a life insurance policy if she has that option.

IN THIS CHAPTER

- » Gathering data about COBRA participants
- » Giving information about COBRA
- » Knowing who's responsible for what information
- » Making sure payments are made
- » Finding someone else to administer COBRA

Chapter 2

Administering COBRA

As a diligent administrator, you supplied information on the Consolidated Omnibus Budget Reconciliation Act (COBRA) benefits in a Summary Plan Description (SPD) to every employee when he first qualified for health care coverage. Now, an employee or covered individual experiences an event that makes him eligible for COBRA (Chapter 1 explains these events), so you start a new round of information collecting and sharing.

In this chapter, you discover what information you need to gather, what information you need to share, and how to handle collecting and distributing premiums.

Collecting Information from Employees

You may already have all the information you need on an employee who's starting COBRA coverage. However, if the eligible person is a spouse, soon-to-be-former spouse, or dependent, you may need to get additional contact information.

CHECKING OUT COBRA ALTERNATIVES FOR EMPLOYEES

Getting extended health care benefits through COBRA isn't the only option for someone losing employer-sponsored health care benefits. In fact, only a fraction of the folks eligible for COBRA may actually choose that option. A person who's losing an employer-sponsored health care plan may choose to get an insurance plan by

- Joining a spouse's health care plan
- Finding coverage through the Marketplace at www.healthcare.gov during a special enrollment period triggered by losing health care coverage
- Signing onto a new employer's health plan
- Purchasing individual insurance

When it comes to individual insurance, a third-party administrator may offer services for employees to compare options and rates, and choose what works best for their situation. Giving employees choices and offering education on these options can help them make the right long-term health choices for themselves and their families.

Also, keep in mind that an eligible participant has to actively choose COBRA coverage within 60 days of receiving an eligibility notice, so if you don't get word that someone wants COBRA coverage, you can record that detail and put his folder in the "Didn't Choose COBRA" file — or whatever you choose to call it.



TIP

Make sure you have up-to-date contact details. If an employee is leaving the company for a new job or because he's retiring, he may be moving as well, and you need to make sure you have updated contact information.

The information you need to have about a COBRA-eligible employee, former employee, or family member includes

- » Full name
- » Birth date
- » Social Security number

- » Relationship to the employee
- » Mailing address
- » Email address
- » The date of the event that triggered COBRA eligibility
- » The coverage for which he's eligible
- » His method of payment and billing information
- » The date coverage starts
- » The date coverage ends



WARNING

Set a system in place to keep current on any changes to a recipient's contact or payment information. You can get in a heap of trouble if you don't keep accurate records. The fines the federal government can impose are steep.

Sharing Information with Employees

When an employee becomes eligible for the employer-sponsored health care that you administer, you give him an SPD that explains the plan benefits, how the plan works, and his rights under the plan. The SPD also lays out COBRA benefits and what triggers them.

Now, one of your employees — let's call him Joe — is moving to a different company. He's covered under your group health care plan, so he can choose to continue that coverage for up to 18 months as long as he pays for it himself. One of your first responsibilities is to remind Joe about his options for COBRA coverage (more on notification timelines in Chapter 3). You let him know

- » **His eligibility for COBRA coverage:** The notice must be mailed via USPS and needs to explain the following:
 - What COBRA coverage is
 - Why he's eligible
 - What rights he has under COBRA provisions
- » **His choices for COBRA coverage:** COBRA options must be the same as those offered to covered employees.
- » **How to enroll:** Include details on who to contact and what next steps to take to sign up for continued health care benefits.

- » **The date coverage starts and when it ends:** Without any extensions, an employee or former employee is eligible to extend health care coverage for 18 months; a family member typically gets 36 months if the qualifying event is anything *except* an employee's termination.
- » **The cost of the health care plan and how to pay the premiums:** Inform those eligible what happens if they don't pay premiums when they're due. If a COBRA recipient doesn't pay his premiums or pays them late, his coverage may be canceled.
- » **Who the plan administrator is and how to contact them:** The employer (or former employer) is the plan administrator in most cases. A third party may manage COBRA benefits, but the employer is the plan administrator, so be sure you include direct and toll-free phone numbers and email addresses for those responsible for plan administration within the company.



WARNING

You must provide potential COBRA participants with a lot of specific information, and you must present it in language “calculated to be understood by the average plan participant.” Lawsuit judgments have included fines because the written notification wasn't easy to understand. See the sidebar, “Getting the wording wrong,” for an example of a lawsuit based on what is and isn't included in COBRA notification materials.



TIP

To get the wording right, use the Model COBRA Continuation Coverage Election Notice the United States Department of Labor recommends at www.dol.gov/agencies/ebsa (then type “COBRA model general notice” in the search bar). The letter is several pages long but contains all the info you need to convey to COBRA-eligible folks. The Department of Labor also maintains a toll-free number devoted to employee benefits at (866) 444-3272.



REMEMBER

You're responsible for sending written notices about the health plan and any changes or updates to a former employee and everyone else covered by his plan. If everyone is living at the same address, you need to send just one notice. If covered spouses, ex-spouses, or dependents live at different addresses, you must send notices to all addresses.

You — or at least your company — can face severe and costly penalties if you fail to give COBRA recipients timely notifications. Chapter 4 talks more about legal issues and possible penalties.

GETTING THE WORDING WRONG

Even nationally known companies can potentially get COBRA wrong. In 2019, a food and beverage giant became the target of a class-action lawsuit over the wording of its COBRA notification. Employees in the lawsuit claimed that the COBRA notification wasn't what it should be. The suit claimed the notice

- Provided insufficient explanatory information
- Used complicated wording that wasn't "calculated to be understood by the average plan participant" as required
- Didn't explain how to enroll in COBRA
- Didn't provide an address for premium payments
- Didn't explain the consequences of falling behind in premium payments or failing to make payments
- Didn't inform participants about what happened if they signed onto another group health plan or became eligible for Medicare

The suit hasn't been decided yet, but it can serve as a cautionary tale.



WARNING

Be aware — and make sure that potential COBRA participants are aware — that COBRA participants can drop COBRA coverage, but they can't resume it. So if a COBRA recipient switches to a plan he finds through the Marketplace but wants to come back to the COBRA plan, that's not an option. Even if a once-eligible person experiences a second triggering event, he can't continue his health care through COBRA.

Defining Employer and Employee Responsibilities

When it comes to COBRA, communication is key. And, as with any successful system, communication is a two-way street. As well as informing potential COBRA participants about the health plan, you need to inform the health plan about the potential participants.

Keeping plan participants informed

As a plan administrator, you started communicating and keeping records way back when the employee became eligible for health care coverage. The initial information about health care plan benefits should include details about how COBRA administration works as well. And, of course, you update all plan participants as provisions of any aspect of the health plan or COBRA changes.

The original SPD includes the name of the health care plan as well as contact information — name, address, and phone number — for someone who can answer questions. It doesn't hurt to remind someone facing a COBRA decision that he can make use of that information.

When a qualifying event occurs, you need to provide potential participants with the following information:

» **The reason the person is eligible for COBRA coverage:**

This includes the reason the employee was terminated, laid off, or had his hours reduced below the threshold for health care coverage. (Chapter 1 lists all the events that trigger COBRA coverage.)

» **The health care plan options available:** Participants can continue health care coverage — and only health care coverage — through COBRA provisions. Participants can also only continue coverage that was in force as an active employee.

» **The cost of each option:** Because many employers pay some or all of the health care costs for their employees, the costs of health care plans under COBRA can be quite a bit more expensive than the person is used to paying. In most cases, participants pay the full cost of the premium, as well as a 2 percent administration fee.

» **A notification to the health plan:** You need to notify the health plan about new COBRA-eligible participants. Provide a copy of this notification to the participant.



REMEMBER

You must deliver this information via first-class mail to the last known address on file. Keep track of when and where you send all COBRA information.

When COBRA coverage ends, be prepared to share notice of the end date and the reason with the participant and with any third-party administrator.

When an eligible person elects to extend health care provisions, you're required to give him additional information:



TECHNICAL
STUFF

» **When coverage starts:** A person newly qualified for COBRA coverage has 60 days from the date he's notified of his options to let you know he's continuing his benefits. His coverage starts the day he qualifies for it.

The first premium you collect from a COBRA participant may be two-months' worth due to the lag between when you notify him about his COBRA options and his deadline for deciding to opt in.

» **How long coverage lasts:** Generally, an employee who qualifies for COBRA can extend the benefits for 18 months. Someone covered under the employee's plan but not the employee — a spouse or dependent, for example — can receive coverage for 36 months under certain circumstances. (See "Sharing Information with Employees" at the beginning of this chapter, and check Chapter 3 for more on timing.)

» **How to opt into coverage:** Let the employee know what his next steps are if he chooses to extend his health care coverage through COBRA.

» **How and who to contact about changes affecting COBRA coverage:** Be sure to include all the contact information you have for the plan administrator and any third-party administrator.



REMEMBER

Don't just send notifications; keep track of the notices you send and the dates you send them. Be sure to save copies of those notices as well for your company records.

Noting changes to COBRA benefits

As a seasoned benefits expert, you're already familiar with open enrollment. But you may not realize that COBRA participants must also be included in the open enrollment process. Each year, COBRA participants need to be offered an opportunity to change their benefit elections — similar to active employees — because

they're technically still under the group benefit plan and need to be offered the same opportunity to make changes to their plans as active employees.

Similar rules apply if an employer changes carriers. If the employer decides to switch its medical benefits provider, for instance, COBRA participants need to be offered similar coverage under the new provider — the same as an active employee. Coverage under this new carrier must be extended to eligible beneficiaries as well, such as a spouse or dependents.

Adding a new arrival qualifies as a change. So, if a COBRA participant has a baby or adopts a dependent, the new family member can be added to the new carrier plan if the participant notifies the administrator within the same timeframe required of an active employee.

Keeping track of the paperwork

You know the three most important qualities for real estate: location, location, location. When it comes to staying compliant with COBRA regulations, the three most important qualities are documentation, documentation, documentation. You need to keep plan participants up to date on the provisions and changes to their health care plan, and you also need to record when and where you send every communication.

Policies and notices that you need to have on hand at all times include

- » All the group health care plans you offer
- » The manual containing your health care continuation procedures
- » Your internal audit process
- » Standard letters about continuing health care and COBRA coverage
- » Information about any current and past lawsuits for failure to provide COBRA options
- » All employees who became eligible for COBRA within the last year
- » The employer's federal and state tax returns for the past two years



TIP

You may be able to cut down on paperwork by having plan information available through your health care portal, as long as participants have easy access to the portal. (Check with your legal counsel to be sure of your obligations.)

Staying on top of information from plan participants

Anyone receiving COBRA benefits is responsible for letting you know of changes that impact COBRA coverage. A recipient needs to let you know if he does any (or even all) of the following:

- » Moves to a new address
- » Gets married
- » Gets divorced or legally separated
- » Adds or subtracts a dependent

Subtracting a dependent doesn't necessarily mean family drama; it often means a young adult has turned 26 and is no longer able to stay on his parent's health plan.

The system you already have in place needs to include a prompt to ensure that when you get notice of a change in health care status or coverage, you update all the relevant information. If someone got divorced, for instance, he or his covered spouse may have a new address.



REMEMBER

Inform your health insurance provider of any changes to participants' statuses — a new baby, or a dependent turning 26 and no longer on the insurance plan — whether the change affects their coverage or not.

Assigning the Costs

Everyone knows that health care is costly. These sections cover who pays those costs, and how, under COBRA regulations.

Meeting administrative costs

Your company pays administrative costs for the health care plan or plans it offers. When it comes to administrative costs for COBRA plans, a company generally has two options:

- » **Pass the costs along to plan participants.** You can add up to a 2 percent administrative fee to the cost of premiums a COBRA participant pays.
- » **Absorb the administrative costs.** Some severance packages include paying administrative costs for those who elect COBRA coverage. Some severance packages pick up the whole tab for health care.



REMEMBER

If the company is picking up the health care tab for a former employee, you're still responsible for keeping the participant informed about plan changes, procedures, and policies.

Collecting premiums from recipients

In the vast majority of cases, the person participating in COBRA pays his entire insurance premium. He may also pay up to a 2 percent administrative fee.



TECHNICAL
STUFF

You can charge a participant the whole month's premium regardless of his eligibility date. You're free to prorate the first month's premium, but you're not obligated to. It's in everyone's best interest to make paying premiums as uncomplicated as possible. Most folks are familiar with automatic deductions from a card or account, so offering those options can make collecting payments easy for everyone. The participant is responsible for making timely payments even if he doesn't receive a monthly bill. But, it may save you a headache or two if you send "premium due" notices anyway.

Late payments can put coverage in jeopardy. Let a late-payer know that his coverage may end and the deadline for getting back on track. Likewise, if a participant has missed payment due dates, you must give him 45 days from the date the initial premium is due and, generally, 30 days from the date any subsequent premium payment is due before canceling his health care. You must notify the participant that his coverage has terminated as soon as

practicable after the decision to terminate is made. Keep in mind that in the event a COBRA participant becomes disabled within the first 60 days of starting his COBRA benefits and qualifies for an additional 11 months of coverage, you can charge him 150 percent of his premium costs for those 11 months.



TIP

It may be useful to send a termination notice to a participant when his payment isn't received on the due date, and let him know that his coverage will end when the grace period expires. Be sure participants know who to contact and how to get in touch if they have an issue with making a payment.

Outsourcing COBRA Administration

COBRA is complicated — there's no arguing that. You or your company may find it makes sense to outsource the paper pushing and move the potential headaches to a third-party administrator.

Weighing costs and benefits

Hiring an outside firm to handle your COBRA benefits will certainly cost the company money — usually a percentage of the money it collects from participants plus administrative fees. But, the costs may be outweighed by the benefits, and you may be fine with spending some money to avoid the hassles of administering COBRA yourself.

Outsourcing COBRA administration eases the burden of

- » Understanding and adhering to complicated COBRA rules and regulations
- » Dealing with former employees, some of who may not have left voluntarily
- » Spending company time and resources on processes that don't benefit the company
- » Keeping the copious records federal regulations require

Finding a reputable company

The best methods for finding a third-party administrator are the tried-and-true ones you use for finding any new service:

- » Ask friends and colleagues for recommendations.
- » Speak with your benefits broker or consultant to find out if he has COBRA administration partners.
- » Canvas professionals in business associations you belong to.
- » Scout professional rating organizations, such as the Better Business Bureau.
- » Search the Internet.
- » Send out a Request for Proposal (RFP) to several of your top choices to learn more about their organizations.

A company that provides COBRA services may do so along with other human resources services or may specialize specifically in COBRA.



WARNING

Some of the issues to explore before signing on with an outside administrator include

- » Defining where responsibility and liability for meeting legal standards lie
- » Checking business ratings
- » Assessing the online, phone, and staff assistance available to participants and to you

- » Sending COBRA notices
- » Maintaining coverage
- » Finishing well

Chapter 3

Getting the Timing Right

This chapter lays out when you need to tell people about their Consolidated Omnibus Budget Reconciliation Act (COBRA) options, how long you're required to provide coverage, and ways to end COBRA coverage the right way.

Making Timely Notifications

Timing is everything. In the case of COBRA notifications, being off in your timing can have serious and costly consequences in the form of fines and possibly lawsuits. Use the information in this section to keep on top of what COBRA information you need to provide to whom and when.

Telling qualified folks that they're qualified

Life changes that make a person eligible for COBRA benefits have a distinct start date. You know the date that

- » An employee leaves the company, voluntarily or not, whether she's changing jobs, retiring, or is terminated
- » A couple gets divorced or legally separates and the spouse of an employee becomes COBRA eligible

- » A spouse and dependents lose health care coverage because the covered employee qualifies for Medicare, or dies
- » A qualified dependent covered under a parent's plan reaches age 26

No matter the triggering event (they're covered in depth in Chapter 1), as plan administrator, you have 14 days from being notified of it to do some notifying yourself. You need to let COBRA-eligible folks know that they're eligible, what benefits they're eligible for, and when and how to sign up for those benefits. Chapter 2 goes into detail about the information you need to provide.



TECHNICAL
STUFF

If an employee becomes eligible for COBRA due to the negative impacts of global trade, she may benefit from the Health Coverage Tax Credit, which refunds 72.5 percent of qualified premiums, including COBRA premiums. Find more information at www.irs.gov/hctc.

Keeping third-party administrators in the loop

Employers are required to keep health care plan administrators in the loop about changes that affect an employee's health care status. So, if an employee's hours are reduced or if she resigns, retires, starts receiving Medicare, or is terminated, that information needs to reach the company's health plan administrator within 30 days. Such events generally trigger COBRA eligibility for someone — the employee, her spouse, or her dependents.



REMEMBER

But keep in mind that in most cases the employer and the COBRA plan administrator are the same entity, so formal notice to a third-party plan administrator isn't required. Department of Labor regulations appear to allow entities that are both employer and COBRA plan administrator the full 44 days to provide notice. Notification periods are counted in calendar days, not business days. If an eligible person signs on for continuation coverage, that coverage picks up immediately after her old coverage ends, so there's no gap in health care coverage.

Continuing COBRA Coverage as Required

The key numbers in COBRA coverage are 18 and 36. These are the number of months an employee or covered family member can typically extend health care.



Eligible COBRA participants have 60 days to decide whether to continue health care benefits. That 60 days is from the date of the event that qualified them for COBRA, or from the postmark date on the envelope containing the notice of COBRA eligibility, whichever is later.

Granting an employee 18 months of COBRA

An employee (usually a former employee) who leaves the company because she's fired or quits can extend health care coverage for herself and her family for a maximum of 18 months. See the upcoming section "Extending coverage under certain circumstances" for info on exceptions.

Covering family for 36 months

Family members who get health insurance by virtue of being related to someone with an employer-sponsored group health plan can often extend COBRA coverage for twice as long as the employee herself. In cases when the employee starts getting Medicare or separates or divorces her spouse, her family members can attain 36 months of health care coverage in contrast to an employee's 18 months.



If a spouse and/or dependent becomes eligible for COBRA for any reason besides the termination of the employee, then 36 months is the standard length of time she can extend health care coverage after a COBRA-triggering event. Check out Chapter 1 for a full list of triggering events.

Exceptions exist even within government regulations. Be aware that a covered spouse and dependents may not be entitled to a full 36 months of COBRA continuation beyond the date the employee qualified for Medicare if the family was taking advantage of COBRA provisions before that date.

Extending coverage under certain circumstances

COBRA participants may want to keep health coverage beyond the 18 or 36 months they're initially entitled to. A participant may apply to extend continuation coverage, and, in certain circumstances, you may be obliged to approve those extensions.

COBRA coverage can be extended if

» **The participant becomes disabled.** If the COBRA beneficiary becomes certified by the Social Security Administration as disabled within 60 days of qualifying for COBRA, and remains disabled throughout the COBRA-mandated timeframe, she can qualify for an additional 11 months of coverage.

» **The participant experiences a second triggering event.** Being subject to a second life change that qualifies as a COBRA trigger means that a participant can extend her continuing coverage for 18 more months.

The second COBRA-triggering event must be something that qualifies as a triggering event in its own right. (See Chapter 1 for triggering events.)

» **The participant dies.** A surviving spouse and covered dependents can extend health care coverage for 36 months after the covered employee dies.



REMEMBER

Following Procedure When COBRA Ends

After a qualified participant signs up for health care continuation through COBRA, you're bound by law to keep her in the plan for as long as she's entitled to stay. A participant can keep her coverage for the full time allowed by law — usually 18 to 36 months — as long as the plan exists.



REMEMBER

“As long as the plan exists” is a key phrase. If the company stops offering a group health plan, notify COBRA participants that they no longer have those benefits and must look elsewhere for health care insurance.

If the group health plan is no longer available that's one thing, but under normal conditions, you're obligated to continue individual coverage until the end of a participant's qualifying period. You can end participation in the plan early under a few special circumstances:

- » **The participant fails to pay premiums on time.** As with any insurance, if you don't pay on time, you risk losing your coverage.
- » **A covered dependent turns 26 and is no longer entitled to be on her parent's plan.** Of course, aging out of a parent's plan is a COBRA-triggering event, so a 26-year-old can opt to sign onto the health plan on her own.
- » **The participant qualifies for Medicare.** Having an employee or spouse qualify for Medicare is a COBRA-triggering event for the employee's family members.
- » **In rare cases, the participant commits insurance fraud.** This is definitely grounds for early termination of COBRA benefits, although fraud isn't common.



REMEMBER

If you're ending someone's COBRA benefits early, you must let her know by sending an early-termination notice that spells out the reason for the early end, the date coverage ends, and her rights in this situation.



WARNING

In some cases, you may be able to extend COBRA benefits beyond the mandated coverage limit. However, extending COBRA benefits may create additional issues and obligations to all health plan participants. Say someone paying to extend health care benefits receives a serious diagnosis near the end of her coverage period. If you make an exception for her, you may create an obligation to continue coverage for all employees or create additional qualifying events for other dependents.

- » Making the paperwork . . . work
- » Steering clear of legal hazards

Chapter 4

Staying Compliant and Avoiding Pitfalls

The Consolidated Omnibus Budget Reconciliation Act (COBRA) has many provisions, and knowing them all and abiding by them all can be challenging. You may want to consult an attorney who specializes in human resources and/or employee benefits to make sure your procedures and materials are up to spec. Alternately, you may want to hire an outside administrator to assist you in fulfilling your COBRA duties.

This chapter fills you in on the paperwork to keep on file and some of the legal issues to be aware of.

Staying on Top of the Paperwork

The title of administrator implies a lot of paperwork, and COBRA regulations only reinforce that impression. You're in charge of keeping and sharing a whole range of documents — manuals, procedures, letters, taxes. You name it, you need to keep a copy of it.

Keeping policies and manuals current

As a COBRA administrator, you're required to have the following documentation available at all times:

- » **The company's group health plans:** You keep copies of your company's group health plans as a good business practice — of course you do. Keep doing that and keep them updated as policies are tweaked. It's not only good business practice; it's required by federal law.
- » **The company's COBRA policy and procedures:** You may need to refer to COBRA provisions from time to time, and you need to provide that information for anyone with a legitimate interest in it.
- » **Copies of standard form letters:** You send letters to
 - Potential COBRA participants notifying them of their COBRA rights
 - Active COBRA participants advising them of coverage start and end dates
 - Participants who owe premiums or are delinquent on their premiums
 - Participants to update them on any and all changes to their health care policy or their coverage status

Keep copies of all standard letters and keep track of when you send them and to whom.



TIP

Documenting tax and other legal filings

The company's taxes are probably no more complicated than COBRA rules and regulations. On the bright side, you don't have to prepare the company's taxes to be COBRA compliant; you just need to have the past two years of federal and state taxes available at all times.



REMEMBER

As well as the taxes you file, you need to provide documentation of your internal audit procedure. If the company has faced or is facing legal action in connection with its COBRA practices, be sure the details of those lawsuits are readily available.



WARNING

On another legal note: If an employee was denied COBRA coverage because he was fired for gross misconduct, you must be able to prove that the employee didn't qualify for unemployment for the same reason. Remember to discuss with legal counsel or benefits advisors prior to denying coverage for gross misconduct.

Keeping participant records complete and up to date

You communicate with COBRA participants all the time. You let them know they're eligible for COBRA, when their health coverage begins and ends, how to pay their premiums, and where to find answers to any questions — to name just the basic contact points.

It makes sense, and makes for peace of mind, to have systems in place to alert you if your communications aren't getting through. It's your responsibility to ensure that you have current, accurate addresses for all COBRA participants.



TIP

The participant is responsible for letting you know when his contact information changes, but as you're expected to keep accurate records, put those "check here if this is a new address" boxes and lines for a new address on all the forms you expect to get back. In other words, make it easy for participants to keep you up to date.

Triggering Penalties

COBRA noncompliance may be more common than you think. In recent years, several organizations have come under fire for not being COBRA compliant. You can do your best to follow COBRA regulations and still misread or misunderstand a regulation or two — COBRA has a lot of regulations after all. Some firms specialize in COBRA administration, and it may be in your best interest to hire a third party to assist you with your COBRA benefits.



TIP

If you discover that you're not meeting a COBRA requirement, get in compliance as soon as possible. Ignorance can work to mitigate fines, but covering up or willfully ignoring regulations can increase penalties. Plus, fines are assessed per day of violation, so as soon as you stop the fineable activity — or lack of activity — the fewer days you have to pay a fine.



REMEMBER

Your best option to avoid fines and penalties is to have a system in place so you provide all required COBRA notifications and materials on time.

Developing a healthy fear of federal fines

Notifying employees or family members that they're eligible for COBRA continuation is a legal requirement. Failure to let qualified people know that they can continue their health care coverage can cost you and your company dearly. In fact, failing to make any required notification or to provide the proper materials and information can bring unwelcome attention from law enforcement. You may be subject to fines including

- » **Excise tax:** Internal Revenue Service (IRS) excise tax of \$100 a day per person or \$200 per day if an entire family is eligible and wasn't notified
- » **ERISA fine:** Fines of \$110 per day per person imposed for violating the Employee Retirement Income Security Act (ERISA) provisions



WARNING

The feds impose a \$500,000 cap on fines related to the IRS excise tax, but you don't want to reach that maximum. This cap doesn't apply to ERISA fines, however. Be aware that the cap may be lifted entirely if you're found to have knowledge of the violation and continued operations anyway.

Clearly, federal fines can add up to serious money quickly. A class-action lawsuit can cost exponentially more than even excise plus ERISA fines (see the next section).

Running afoul of state and civil sanctions

Federal COBRA regulations fall under the IRS and the Department of Labor. If your state has what's referred to as mini-COBRA laws that address health care continuance, your state insurance regulatory agency enforces them. We discuss mini-COBRA laws in more detail in Chapter 1.

Class-action lawsuits are an increasingly popular tool that injured parties use to seek compensation when they don't receive timely

COBRA benefits or timely notifications. Simply defending such a lawsuit can cost at least \$50,000 in legal fees before paying for any judgment or settlement. Losing or settling a class-action suit can cost even more. Some recent, expensive examples include

- » **\$1 million settlement:** Employees sued a multinational consulting, technology, professional, and outsourcing corporation, alleging the company failed to provide COBRA information to employees transferring back and forth between the United States and India.
- » **\$1.3 million settlement:** A major United States gaming facilities company settled when a class-action suit charged that only those who asked about COBRA benefits were informed of them.

Individuals can sue for civil damages and be awarded money to cover medical expenses and attorney fees on top of judgment amounts.

IN THIS CHAPTER

- » Offering what you're required to as long as you're required to
- » Keeping participants informed and records up to date
- » Collecting the correct money and avoiding fines
- » Recognizing COBRA triggers

Chapter 5

Ten Tips for Administering COBRA

Administering the Consolidated Omnibus Budget Reconciliation Act (COBRA) isn't for the faint of heart. This chapter gives you ten tips (actually, we threw in an extra — you work hard; you deserve it!) to reinforce key points we talk about throughout this book.

Making Sure You're Required to Offer COBRA

Before you sign up for the potential hassles and headaches of administering COBRA, be sure you're required to offer continuing participation in your health plan. To determine whether you're required to offer COBRA benefits, you must answer yes to all three of the following questions:

- » Do you offer an employer-sponsored group health plan?
- » Do you employ the equivalent of 20 or more full-time employees?
- » Did you have the plan and the 20 employees for more than 50 percent of the days the company worked last year?

Unless you answer yes to every question, you aren't obligated to offer COBRA benefits. Check out Chapter 1 for more in-depth discussion about who needs to offer COBRA benefits, and don't forget to also check your state COBRA laws as well.

Keeping Good Records

The federal government requires that you have up-to-date contact information on all COBRA participants. In addition, you need to provide access to

- »» Copies of all health plans and COBRA provisions
- »» Form letters you send to let someone know of any of the following:
 - She's eligible for COBRA benefits, and here's information on the plans she can buy into.
 - Her coverage is ending on this date.
 - Her premium payment is late, and she may lose her health care coverage (if applicable).

In addition to copies of form letters, keep track of when you send each and to whom.

- »» Relevant legal documents: COBRA lawsuit judgments
- »» Employer tax returns for the last two years



REMEMBER



TIP

When in doubt, keep a copy and record the date of every COBRA-related piece of paper that passes through your hands — whether it's virtual or a hard copy. And head to Chapter 4 where we address all the paperwork to keep current.

Knowing the Events That Trigger COBRA

Life changes, especially work-life changes, often lead to COBRA eligibility. For an employee, COBRA eligibility is triggered when

- »» An employee's hours are reduced so that she doesn't qualify for the health plan any longer.
- »» An employee quits or is fired (unless she's fired for "gross misconduct").

An employee's spouse and dependents have a few more COBRA triggers:

- » **The employee qualifies for Medicare.** If her spouse and dependents are covered under the employee's policy, they now qualify for COBRA extension coverage.
- » **The employee and spouse divorce or are legally separated.** The formerly covered spouse is now COBRA eligible.
- » **The employee dies.** A surviving spouse and dependents who were covered under the company's plan can extend that coverage.
- » **A dependent covered under a parent's plan turns 26 and is no longer qualified for plan coverage.** She is, however, qualified for COBRA coverage.

Find more about COBRA triggers in Chapter 1.

Staying in Touch with COBRA Recipients

If a COBRA recipient changes her address or her marital status, she's supposed to let you know, but you're ultimately responsible for making sure you send information to the correct address.

You need to get in touch with COBRA recipients periodically. Some of the reasons to get in touch with COBRA participants include the following:

- » Notifying them of their eligibility
- » Letting them know of changes in the health plan
- » Informing them that a premium payment is late and puts them at risk of losing coverage
- » Telling them coverage is coming to an end

If the health plan ends or the company does — as is, it goes into bankruptcy or out of business — it's your responsibility to inform COBRA participants. For this and other notification responsibilities, head to Chapter 2.

Knowing What You Need to Provide

You're obligated to provide COBRA benefits to qualified employees, former employees, and spouses and dependents of employees. The health care plans you offer COBRA participants must be the same as those you offer to current employees.

Chapter 1 lets you know the COBRA benefits you need to offer and the people you need to offer them to.

Staying on Top of Deadlines

Any program subject to government regulation includes due-by dates, and COBRA is certainly subject to government regulations. Some of the deadlines to keep in mind are as follows:

- » **14 days:** You have 14 days from the date of the triggering event to let a qualified person know of her COBRA eligibility.
- » **30 days:** Generally, you have 30 days to respond to changes or address an inquiry.

In practice, remember that entities who are both employer and COBRA plan administrator get the full 44 days to provide notice. Chapter 3 explains timing issues in more detail.

Supplying COBRA for as Long as Necessary

Typically, an employee or former employee can extend her health care benefits for 18 months after qualifying. Her spouse and dependents may get twice that, or 36 months.

Chapter 4 has more info on how long to offer COBRA.

Realizing That a COBRA Recipient May Be a Spouse or Dependent

Keep in mind that COBRA doesn't apply just to employees. If an employee qualifies for Medicare, divorces her spouse, or dies, and if the spouse and dependents were covered under the employee's health plan, they can choose to stay on the company's health plan through COBRA provisions.

Check Chapter 1 for a complete rundown of triggering events.

Managing the Money Correctly

Typically, COBRA participants are responsible for paying their own health insurance premiums — you're just the conduit. You can charge up to a 2 percent administrative fee as well. In some cases, the company may pay an employee's premiums as part of a severance or benefits package.



REMEMBER

If a participant falls behind in her payments, you need to let her know that non-payment or delayed payments can jeopardize her coverage. This topic and other money matters are explained in Chapter 2.

Steering Clear of Fines

The most severe fines you can face from the Feds are for improper notification. Be sure to

- » Notify possible participants on time.
- » Give them all the required information on their alternatives.
- » Inform them of when and how to participate.
- » Provide contact information for the plan administrator.
- » Use uncomplicated language.



TIP

Check with your state insurance regulatory body for what prompts any state–levied fines — and then avoid doing that.

Fines and how to avoid them are discussed in Chapter 4.

Turning to an Outside Administrator

Assigning the responsibility for notifying, keeping track of, and otherwise administering your COBRA benefits to outside professionals may be your best option. Firms that specialize in COBRA itself, or human resources issues in general, can free up your benefits employees to focus on work that directly benefits the company.

Outsourcing is discussed in more depth in Chapter 4.

Notes

Notes

Notes

Notes



HSA | FSA | HRA | Commuter | Lifestyle | COBRA

As a consumer-directed health care pioneer and nationally recognized industry leader, ConnectYourCare delivers a comprehensive solution supporting health care savings accounts, expanded tax-advantaged offerings, and COBRA administration.

ConnectYourCare's COBRA solution for employers eliminates administrative burdens with smart tools, experts in your corner, and a participant-friendly system that reduces calls to your benefits department.

Learn more about ConnectYourCare's COBRA administration and direct bill services at www.connectyourcare.com



Discover COBRA best practices from the pros

Employers of a certain size are required to offer COBRA to their employees if they provide health care benefits. But COBRA is notoriously tricky to administer, and when you consider the penalties at stake, noncompliance isn't an option. Written for plan administrators, HR professionals, and benefits brokers, this book covers key information about COBRA regulations and best practices to help employers stay compliant and avoid costly penalties (not to mention administrative headaches!).

Inside...

- Understand essential COBRA regulations
- Know qualifying events and timelines
- Learn who's eligible and when
- Get an overview of COBRA processes
- Discover recordkeeping best practices
- Avoid common COBRA pitfalls
- Uncover tips from seasoned experts



Go to **Dummies.com™**
for videos, step-by-step photos,
how-to articles, or to shop!

ISBN: 978-1-119-69868-5

Not For Resale



for
dummies[®]
A Wiley Brand

WILEY END USER LICENSE AGREEMENT

Go to www.wiley.com/go/eula to access Wiley's ebook EULA.