



COBRA Sales Review



- HR Benefits
- HR Management
- HR Services

We're proud to offer a full-circle solution to your HR needs. BASIC offers collaboration, flexibility, stability, security, quality service and an experienced staff to meet your integrated HR, FMLA and Payroll needs.

Quick COBRA Review



- COBRA- Consolidated Omnibus Budget Reconciliation Act of 1985
- Main intent
 - Provide temporary access to health insurance when it would have been lost
 - Shift healthcare cost from public sector to the private sector
 - Reduce healthcare premiums and lost tax revenues by reducing the number of uninsured medical expenses

Who must comply with COBRA?



- All employers with over 20 employees on 50% of their typical business days in the preceding calendar year.
- Common Ownership
- Exceptions
 - Small employer plans, government plans, church plans

Who Qualifies?



- Qualified beneficiary rights- Qualified beneficiaries have the same rights, under the same terms and conditions, as a similarly situated non-COBRA beneficiary (active employee)
 - Qualified beneficiaries additionally have independent election rights.

Events



- Voluntary termination
- Involuntary termination
 - Gross misconduct exception
- Reduction of employees hours
 - Change in premium arrangement
- Death of employee
- Divorce or Legal Separation
 - Removals in anticipation of the event
- Medicare Entitlement (in extremely rare circumstances)
- Dependent Child Ceasing to be a dependent

Eligible Coverages



Eligible

- Medical
- Dental
- Vision
- Prescription
- Health FSA
- HRA
- Certain EAP's

Not Eligible

- Dependent Care FSA
- HSA
- LTD
- STD
- Life Insurance

Notices



- Qualifying Event Notice- Informs all qualified beneficiaries of their right to continue health insurance under COBRA. Provide First class mail with certificate of mailing
 - Needs to be postmarked with 44 days from a qualifying event
 - Typically includes COBRA election form
- General Notice- Informs employees of their COBRA rights and responsibilities
 - Needs to be postmarked within 90 days from enrollment in the new plan

Notices (cont.)



- Notice from QB to the plan administrator
 - Divorce, Dependent Ceasing to be a Dependent, Secondary Event, Disability Determination, or no longer deemed disabled
 - Has to be reported within 60 days of the later of:
 - Qualifying event date, loss of coverage date, or date the QB is informed they have to report (i.e., general notice)

Notices (cont.)



- Notice of unavailability- 44 days from being informed of a request
- Conversion notice- within the last 180 days of COBRA
- Early termination- as soon as administratively possible
- Expiration- During the last 60 days of COBRA

Notices (cont.)



- Notification of plan changes- 60 days from the plan change being adopted
- Notice of Insignificant premium underpayment- as soon as possible
- Disclosure to a health care provider
- Invoices or coupon books
- **Bonus-** Open enrollment notifications



- The IRS is the auditing arm for COBRA
 - Mail audit
 - Combo audit
 - Complaint driven audit
- The IRS uses the TAMRA (Technical and Miscellaneous Revenue ACT of 1988) criteria to measure COBRA compliance

TAMRA Criteria



- **Training** for the individuals responsible for COBRA compliance
- **Written Instructions** for administering COBRA
- The plan is **Designed and updated** based on competent professional advice
- The plan is **monitored** by independent auditors

TAMRA Outcomes



- Penalties can be ruled in one of two ways:
 - Reasonable cause- The infractions have been corrected within 30 days and the TAMRA criteria has been implemented
 - Willful Neglect- The infractions have not been corrected within 30 days, and the TAMRA criteria has not been incorporated

Penalties



- TAMRA penalties are \$100 per day per violation for one individual, and \$200 per day per violation for two or more individuals
- ERISA penalties are \$110 per day per family member
- Court costs
- Claims risk
- Other cases involving the same infraction

COBRA Compliance

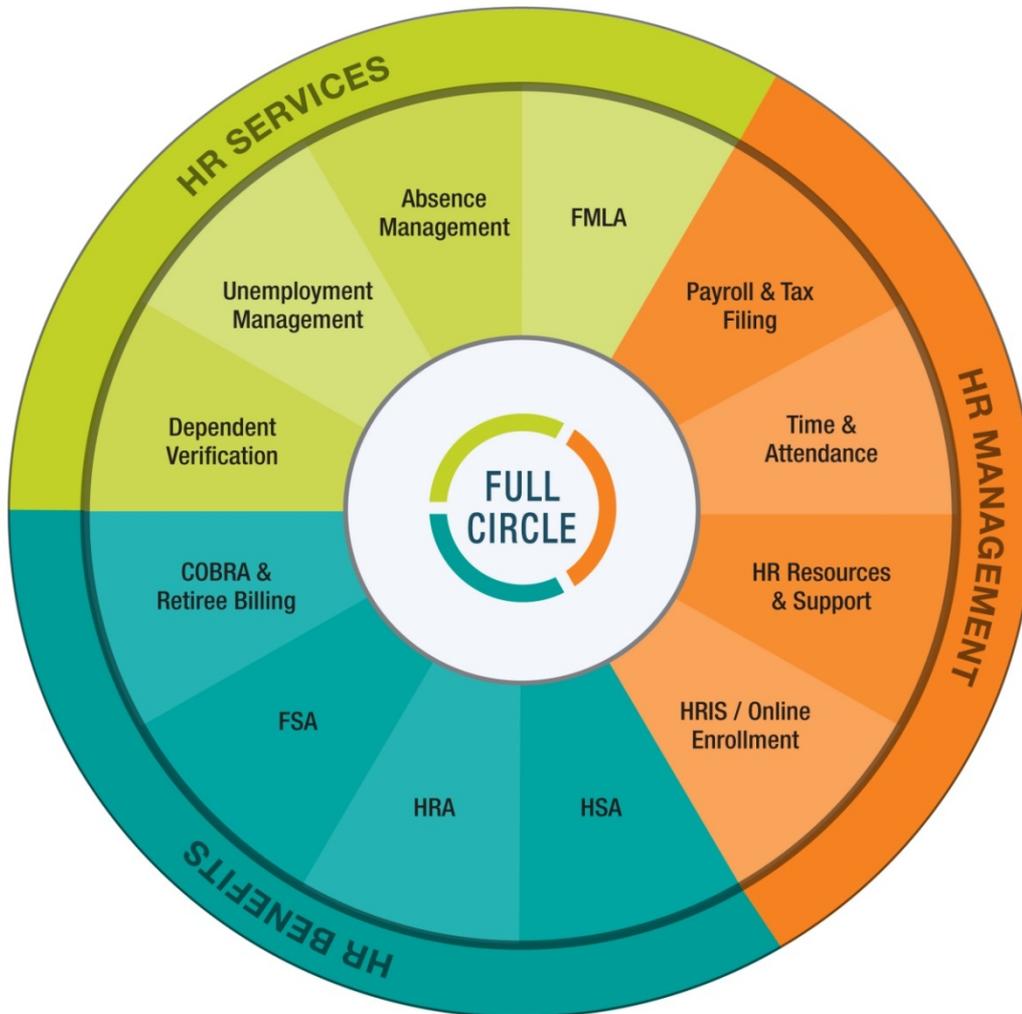


✓ At the end of the day.. An employer is liable..

- Easy for an employer to unintentionally fall out of compliance
- Non Compliance can be costly
 - DOL Fines
 - Lawsuits leading to monetary judgments, attorney's fees and court costs
 - COBRA is one of the most litigated areas of benefits
- Time consuming if administered correctly
 - Administrators function under best practices offering consistency and reliability
- Administrators take the majority of liability off of employers
 - Indemnify their clients and assume financial liability for their errors
- Administrators can serve as a buffer between the employer and former workers

One of the most commonly outsources HR functions.

Contact Us



HR solutions should be simple.
Keep it BASIC.



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