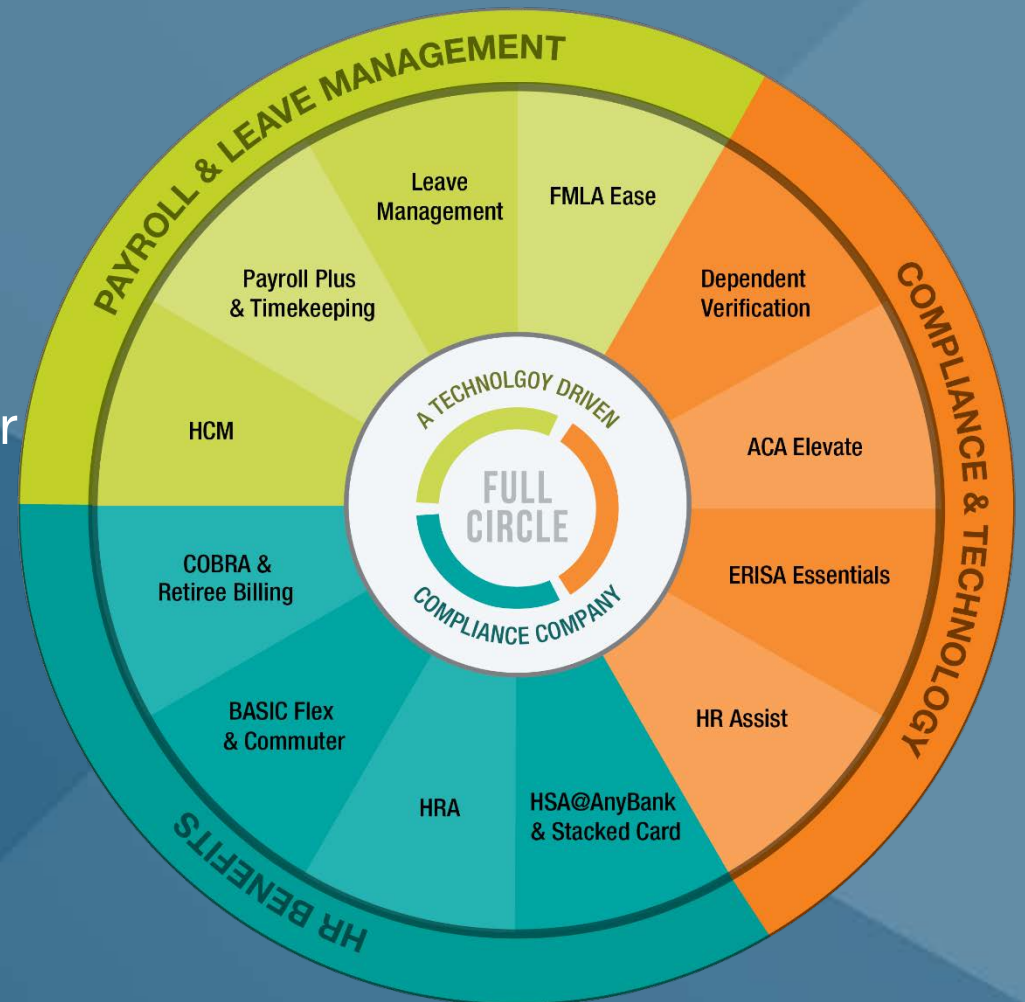


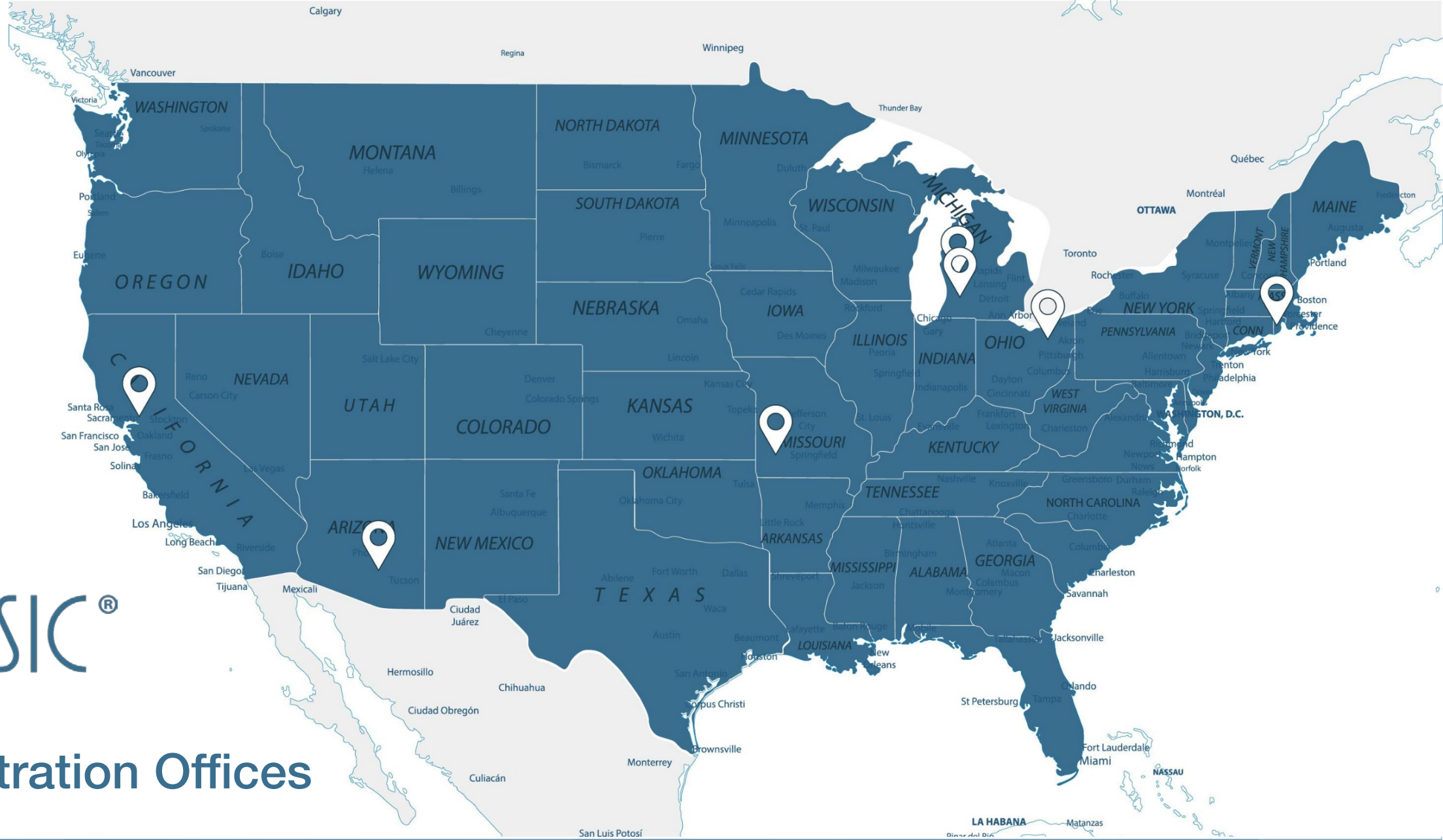


# A Technology Driven HR Compliance Company

BASIC is a technology driven HR Compliance Company with over 29 years of experience. Find out why over 15,000 employers trust BASIC with a wide range of HR responsibilities and guaranteed compliance. BASIC's suite of solutions offered independently or as a platform of services include; Payroll, Timekeeping, FSA, COBRA, FMLA and much more.



HR solutions should be simple.  
Keep it **BASIC**.



# Administration Offices

# 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

# Audits

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



# 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 - Non Compliance can be costly



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  
COBRA is one of the most litigated areas of benefits



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
- 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.

# Questions



# Disclaimer



This presentation is designed to provide accurate information in regard to the subject matter covered. It is provided with the understanding that BASIC is not engaged in rendering legal or other professional services. If legal advice or other expert assistance is required, the services of a competent attorney or other professional person should be sought. Due to the numerous factual issues which arise in any human resource or employment question, each specific matter should be discussed with your attorney.