



BASIC COBRA Administration



Coast to Coast Administration



**BASIC services over
18,000 employers
nationwide.**



Technology Driven HR Solutions to Take Your Company Further

Suite of HR Benefits, Payroll and Leave Management, and Compliance solutions offered individually or bundled.



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

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

➤ 3 Common COBRA Mistakes

- Assuming COBRA doesn't apply to all group health plans
- Failing to establish reasonable procedures or identify qualified events or beneficiaries
- Failing to provide COBRA Election Notice

➤ Consequences of Failing to Comply with COBRA

- IRS excise taxes of \$200/day
- Statutory penalties of \$110/day
- Qualified beneficiaries can sue to recover COBRA coverage
 - Claims may not be covered by plan or stop-loss policy
- Courts may impose “other equitable relief”
- Attorney fees imposed if plaintiff is successful in court

➤ 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



➤ Group Health Plans

Eligible

- Medical
- Dental
- Vision
- Prescription
- Health FSA
- HRA
- Certain EAPs

Not Eligible

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

➤ Events

- Voluntary termination
- Involuntary termination
 - Gross misconduct exception
- Reduction of employee's 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

➤ Qualified Beneficiaries

- Qualified beneficiaries have the same rights, under the same terms and conditions, as a similarly situated non-COBRA beneficiary (e.g. active employee)
- Qualified beneficiaries have independent election rights
- Qualified beneficiaries must be covered under the plan on the day before the Qualifying Event



➤ Notices

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

➤ Additional Notices

- Insufficient Funds Notice
- Premium Shortage Letter
- Premium Grace Letter
- Conversion Notice
- Plan Change Notification
- Termination Notice
- Optional but helpful
 - Payment Coupons
 - 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

➤ Why Outsource COBRA

1. It's easy for an employer to unintentionally fall out of compliance
2. It's time consuming if administered correctly
3. Administrators take the majority of liability off of employers
4. Administrators can serve as a buffer between the employer and former workers

One of the most commonly outsourced HR functions.

➤ BASIC COBRA

Reduce your risk and liability while freeing valuable time and resources.

- Since 1995, BASIC has developed the best practices for COBRA, ensuring consistent and reliable compliance
- We indemnify our clients and assume financial liability for our errors
- We exceed DOL notification timeframe guidelines



➤ BASIC COBRA Features

- Best-in-class service
 - Dedicated COBRA account managers
 - COBRA compliance certified
- Carrier terminations & enrollments
- Open enrollment assistance
- Portal is available 24/7/365
 - Online payment options
 - Download notices & reports



QUESTIONS



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