



➤ March 8, 2023

# COBRA Compliance

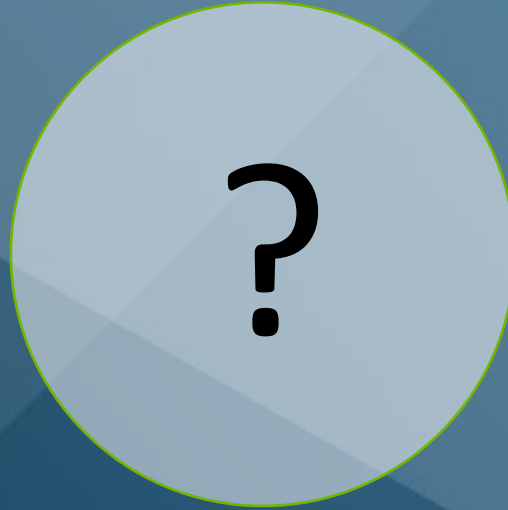


Presentation By:  
Tammy Parr

# Before We Begin



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# Coast to Coast Administration



**BASIC services over  
20,000 employers  
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# Technology Driven HR Solutions to Take Your Company Further

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



## ➤ Presenter



### **Tammy Parr**

Tammy Parr is an Independent Sales Director at BASIC. With over 35 years of experience working with COBRA, Tammy leverages her expertise to ensure clients and insurance brokers are fully compliant every step of the way. Clients appreciate Tammy's extensive regulatory knowledge, which allows her to recognize and satisfy personalized needs for companies of all sizes and industries. Insurance brokers love working with Tammy because they know she wants the best for their clients.

# 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

# ➤ What Is COBRA?

- “COBRA” is the Consolidated Omnibus Budget Reconciliation Act of 1986, as amended
- Provides for continuation of existing group health plan coverage for qualifying employees, covered spouses and covered dependents
- Legally protected right under the Internal Revenue Code, Employee Retirement Income Security Act of 1974, and the Public Health Service Act

# ➤ Who Must Comply With COBRA?

- All employers with 20 or more employees on 50% of their typical business days in the preceding calendar year
- Common Ownership
  - a controlled group of corporations (Code §414(b));
  - a group of trades or businesses under common control (Code §414(c));
  - an affiliated service group (Code §414(m)); and
  - certain other arrangements described in regulations (Code §414(o)).<sup>55</sup>



# ➤ Who Must Comply With COBRA?

- Exceptions
  - Small employer plans, federal government plans, church plans
- Downsizing employer rule
  - Shrinking: subject to COBRA until calendar year after the average number of employees is less than 20 and can't drop COBRA for those individuals already covered by COBRA

# ➤ Who Qualifies?

- Qualified Beneficiaries (“QB”)
  - Covered employees (but only if, on the day before a qualifying event, they are covered under a plan by virtue of being covered employees, and only as to the qualifying events of termination of employment or reduction of hours);
  - Federally recognized spouses and dependent children of covered employees (but only if, on the day before a qualifying event, they are covered under a plan by virtue of being a covered employee's spouse or dependent child); and
  - Children born to, or adopted by, a covered employee during a period of COBRA continuation coverage
- **QB Rights – QB have the same rights, under the same terms and conditions, as a similarly situated non-COBRA beneficiary (active employee)**

# ➤ What Is Eligible Coverage?

## Eligible

- Medical
- Dental
- Vision
- Prescription
- Health FSA (unless FSA is overspent)
- HRA
- Certain EAPs

## Not Eligible

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

# ➤ Qualifying 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



## ➤ FMLA Leave of Absence

- Beginning of FMLA leave *is not* a qualifying event
- End of FMLA leave *is* a qualifying event *if* employee does not return to work
  - Even if employee did not maintain coverage during FMLA leave
  - Even if employee doesn't repay premiums in arrears during leave

# ➤ Notices – Most Notable

- **Initial/General Notice** – Informs employees of their COBRA rights and responsibilities (generally within 90 days of commencement of plan coverage) QB
- **Election/Qualifying Event Notice** – Plan administrator informs all QBs of their right to continue health insurance under COBRA with reference to a specific Qualifying Event
  - Clock starts with triggering event, unless delayed employer rule is adopted and reflected in procedures (COBRA maximum period and notification period begins with loss of coverage)
  - Employer notice to plan administrator within 30 days, plan administrator to QB within 14 days (or 44 days total where employer and plan administrator are same)
- **Notice from QB to the plan administrator** – Divorce, Dependent ceasing to be a Dependent, Secondary Event, Disability Determination, or no longer deemed disabled

# ➤ Notices – Other Mandatory

- **Notice of unavailability** – Where plan administrator determines that the QBs covered by the qualifying event notice are not entitled to COBRA (or second QE extension)
- **Notification of plan changes** – Same schedule as SMMs
- **Notice of insignificant premium underpayment** – As soon as possible and give reasonable period for payment
- **Early termination** – As soon as administratively possible
- **ERISA disclosures & open enrollment materials** – SPD must contain COBRA information and can serve as initial notice if provided to all individuals covered under the Plan (e.g., spouse and dependents) so separate notice is advisable, SBCs, SMMs
- **Disclosure to health care providers** – During election period, the 45-day premium payment period, and the 30-day premium grace period
- **Conversion notice** – During the last 180 days of COBRA maximum coverage period

# ➤ Notices – Optional But Recommended

- **Expiration** – During the last 60 days of COBRA if terminating at maximum coverage period
- **Coupon Books/Invoices** – Should indicate they are reminders and not bills, and payment is due even if the coupon or invoice is not provided
- **Confirmation of COBRA election** – Can serve to eliminate confusion
- **Advance notice of premium changes** – DOL has informally advised that COBRA cannot be terminated for insufficient payment if QB not provided reasonable advance notice of increased premiums and opportunity to pay increased premiums
- **Late premium payment reminder letters**
- **Letters regarding loss of dependent status, or spouses or children dropped of coverage, eligibility for Medicare resulting in COBRA termination**



# ➤ COBRA Premiums

- Monthly payments must be allowed
- Grace period must be allowed of at least:
  - 45 days after election of coverage – must be all premiums through payment date!
  - 30 days after first day of each month
  - Must be consistently applied

# ➤ Audits

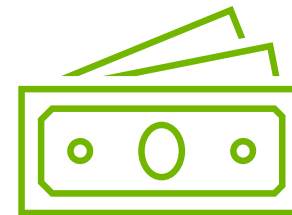
- The Internal Revenue Service (IRS) is the auditing arm for COBRA
  - Mail audit
  - Combo audit
  - Complaint driven audit
  - Reasonable cause – infractions have been corrected within 30 days and depending on severity of issue as to whether penalties are applied
  - Willful Neglect – infractions have not been corrected within 30 days and full penalties may apply

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# ➤ Penalties: Non-Compliance can be costly

- IRS penalties - \$100 per day per violation for one individual, and \$200 per day per violation for two or more individuals
- ERISA penalties - \$110 per day per family member
- Court costs – COBRA is one of the most litigated areas of benefits
- Claims risk - \$\$\$\$\$



# EBSA Disaster Relief Notice 2021-01

Legislative Updates

# ➤ EBSA Disaster Relief Notice 2021-01

- At the midnight hour on the sunset of the COBRA extensions (Feb. 28, 2021) the DOL issued a new “tolling period” under this Notice
  - Will be applied individual-by-individual
  - Deadline to be tolled until
    - One year from date individual was first eligible for relief, or
    - The end of the Outbreak period (60 days after). End of outbreak period is May 11, 2023.
  - What does that mean?

# ➤ EBSA Disaster Relief Notice 2021-01

## What are employers to do?

- Consider new notices/announcements to participants and beneficiaries
- Review previous notices; will likely need updating to new guidelines/deadlines, etc.
- Those self-administering should consider outsourcing to a TPA (BASIC)

## End of Outbreak Period;

- “Pause” on COBRA payments and timeframes, along with the time period for HIPAA special enrollments and benefit claims and appeals, will reset 60 days after May 11, 2023, which is July 10, 2023.

## ➤ End of Outbreak Period

- All tolled COBRA elections, payments and other extended timeframes will revert back to pre-pandemic deadlines.
- Additional guidance on administering the end of the National Emergency extension periods is expected.
- Employers should be aware of the upcoming changes and be ready to communicate with plan participants and COBRA continuants.

# BASIC's Solutions



# ➤ 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
  - COBRA compliance certified
  - Readily available customer service representatives
  - Toll-free support with below industry average hold times
- Carrier terminations & enrollments
- Open enrollment assistance
- Portal is available 24/7/365
  - Online payment options
  - Download notices & reports



# Before Q&A



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the certificate &  
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QUESTIONS



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