



# Client Compliance Manual



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This Administration Manual provides all of the guidance you need to properly manage your TASC COBRA Plan. You will also receive an invitation to attend a webinar or a one-on-one phone call. This will help educate you on the requirements necessary to keep your Plan compliant and all the benefits we offer to help you do so. In the meantime, if you have any questions pertaining to your TASC COBRA Plan, call us toll-free at 800-422-4661. While not required, the 12-digit TASC ID provided in this welcome kit will help get you to the right contact quickly.

Visit our TASC news site at [www.tasctracker.com](http://www.tasctracker.com) and subscribe to receive news updates via email. Must-know information regarding TASC products is posted regularly on this site.

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# What is COBRA

In 1985, Congress enacted continuation of healthcare coverage requirements, commonly referred to as COBRA. COBRA stands for the Consolidated Omnibus Budget Reconciliation Act and it was designed to protect certain current and former employees and their dependents when they experience a loss of coverage under a group health plan. COBRA provides continuation of health coverage that otherwise would have been terminated due to certain qualified events.

In the absence of COBRA, many people would be without health insurance if their employer-provided coverage terminated due to certain events, such as termination of employment. In sum, COBRA's aim is to cover individuals during the "transition period" (from the time of loss of coverage until the individual obtains other health insurance coverage).

## Employers subject to COBRA

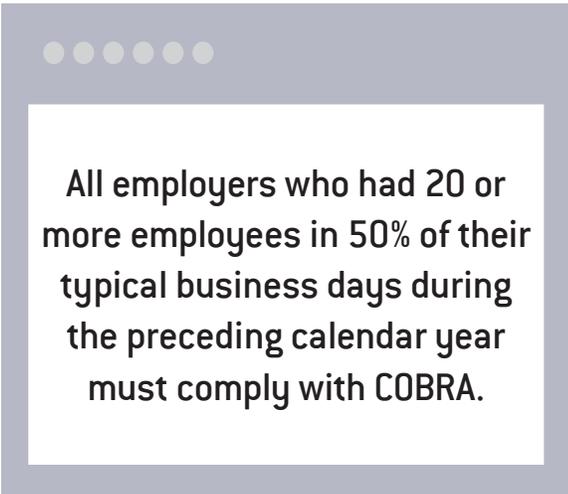
All employers who had 20 or more employees in 50 percent of their typical business days during the preceding calendar year must comply with COBRA. Two exceptions apply to this rule:

1. The federal government has its own rules regarding continuation coverage.
2. Church plans (within the meaning of 414(e) of the Internal Revenue Code).

All common law employees must be counted, regardless of whether or not they have health coverage. Part-time employees must be counted on a prorated basis. Self-employed individuals, independent contractors, and directors are not counted.

For example: If an employee works 20 hours a week and the employer uses 40 hours as the determining factor for full-time status, the 20 hour a week part-time employee counts as one-half employee for purposes of COBRA. Another employee working at the same company 10 hours per week would be counted as one-quarter employee.

Employers who are participants of a controlled group must offer COBRA as well.



**All employers who had 20 or more employees in 50% of their typical business days during the preceding calendar year must comply with COBRA.**

## Liability for Non-Compliance

Substantial penalties and excise taxes can be assessed at \$110 per day per violation with limits as high as \$500,000 for non-compliance. The COBRA law, though it affects insurance, is an employer law. The employer has certain responsibilities under COBRA and the employer is liable for COBRA failures. Were there to be a failure in COBRA law compliance, several different entities may levy penalties, including the IRS and DOL. Penalties could include claim payments to qualified beneficiaries, court levied damages, attorney fees, and ERISA claims.

In addition, the IRS regularly performs audit procedures for COBRA compliance. Therefore, the employer and TASC must maintain a significant and creditable paper trail of compliance documentation.

Liability between the employer and TASC is "hand-in-hand." The employer's liability will reside in areas of COBRA administration under their control and management. TASC liability will rest in the areas of third party administration responsibilities.

## Benefits subject to COBRA

The following benefits maintained by the employer are subject to COBRA:

- Group Health Plans – A plan maintained by an employer or employee organization to provide health care to individuals (or to their families) who have an employment-related connection to the employer or employee organization.
- Individual Insurance Policies – if they involve the provision of health care to two or more employees.

The following are examples of healthcare plans that are subject to COBRA continuation (not an exhaustive list):

- Medical Plans
- Dental, vision and prescription drug plans
- Drug and alcohol treatment programs
- Employee Assistance Plans providing medical care such as trained counseling or psychological treatment
- On-site healthcare, including discount or free medical services or medical personnel, providing free, non-occupational treatment
- Some health Flexible Spending Accounts (FSA)
- Health Reimbursement Arrangements (HRA)

## Qualified Beneficiaries

For purposes of COBRA, a covered employee is any individual who was or is currently provided coverage under a group health plan that comes under the provisions of COBRA as a result of “the performance of services by the individual for one or more persons maintaining the plan (including as an employee defined in 401©(1) of the Internal Revenue Code).”

The term Qualified Beneficiary (QB) refers to individuals who are covered under the employer’s group health plan the day before a COBRA qualifying event takes place. A qualified beneficiary is the covered employee, covered spouse of the employee, covered dependent child of the employee, or any child born to, or placed

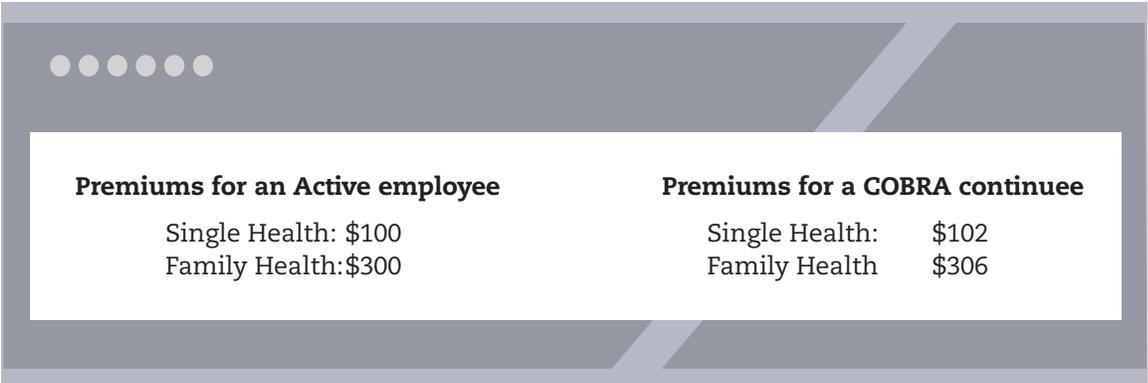


**Substantial penalties can be assessed for COBRA compliance violations.**

for adoption with the covered employee during the period of continuation coverage. Each qualified beneficiary has the same rights under the group health plan as a “similarly situated active employee.” It is important to stress that once a COBRA event occurs, an employee’s covered spouse or dependent child, regardless of age, has as many rights under the plan as an active employee.

## COBRA Premiums

As a QB elects COBRA coverage in order to continue coverage of their health plan, they are generally charged 102% of the applicable premium for continuation coverage. See the following example:



<b>Premiums for an Active employee</b>	<b>Premiums for a COBRA continuee</b>
Single Health: \$100	Single Health: \$102
Family Health: \$300	Family Health: \$306

## Renewal

It is vital that employers notify TASC 60 days prior to any rate increases to ensure timely communication to current continuees. The Premium Collection Form may be used to communicate these changes. TASC will send a letter regarding the rate change and new payment coupons to the continuees. To maintain compliance with federal law, TASC COBRA requires that any changes in rates must be submitted to TASC by the 15th of the month prior to the effective date. Failure to supply any changes in rates by this deadline will result in a delay of the effective date for the rate change. If received after the 15th of the month prior, implementation will be delayed at least until the first of the month following the month for which rates were received (ex.: rates received January 20 will generally be effective no earlier than March 1). TASC cannot charge Participants for retroactive premium changes. If you fail to communicate any changes in rates before TASC's deadline, you may have to pay the premium difference to your carrier. TASC will not have any liability for any losses in premium differences due to a Plan Sponsor's failure to communicate rate changes or corrections to TASC in a timely manner.

At the renewal of the Plan subject to COBRA, the employer should treat COBRA continuees in kind with active employees, ensuring that the continuee receives all necessary enrollment forms and/or premium change notification. This does not hold true if the COBRA continuation has expired.



**Qualifying Events are those circumstances under which an individual would lose health coverage.**

## Qualifying Events and Coverage Periods

Qualifying Events (QE) are those circumstances under which an individual would lose health coverage. Technically these are defined as “an event, which, but for the continuation coverage required by COBRA, would result in the loss of coverage of a qualified beneficiary.” The nature of a qualifying event will determine how long a plan must offer continuation of the health insurance coverage under COBRA.

The following events allow for 18 months of coverage continuation for all qualified beneficiaries from the date of the qualifying event:

- Voluntary termination
- Involuntary termination with the exception of gross misconduct (TASC does not define “gross misconduct.” The employer must make this determination.)
- Reduction of hours below the minimum required to participate in benefit plan(s)

The following events allow for 36 months of coverage continuation for all qualified beneficiaries from the date of the qualifying event:

- Death of the employee (the spouse and dependents are the only QBs)
- Divorce or legal separation (the spouse and dependents are the only QBs)
- Dependent child ceasing to be a dependent (the dependent is the only QB for this event)

When the bankruptcy of the employer is a qualifying event, the maximum coverage period for the “retired” covered employee is the date of the retired covered employee's death. For the qualified beneficiary who is the spouse, surviving spouse or dependent child of the retired covered employee, the maximum coverage period is 36 months after the date of the retired covered employee's death. COBRA continuation following a company bankruptcy is dependent on the company maintaining a COBRA eligible health plan for at least one Participant. If said company ceases to continue with their health plans, no COBRA continuation is available.

As employees experience these qualified events, it is the responsibility of the employer to know and inform the third party administrator when the following events have occurred:

- Voluntary/involuntary termination
- Reduction of hours
- Death of the employee
- Medicare entitlement (entitlement means enrollment) if loss of benefit eligibility occurs
- Employer's bankruptcy
- Divorce or legal separation
- Dependent child ceasing to be dependent

### Standard Secondary Event

A standard secondary event simply means that an employee already on COBRA experiences another qualified event. Such an event allows QBs who are already on COBRA to extend their COBRA coverage. In sum, a standard secondary event is where the first event was termination or a reduction in hours, followed by a second event.

- Death of the employee
- Medicare entitlement (enrollment)
- Divorce or legal separation
- Dependent child ceasing to be a dependent
- Disability determination by Social Security Administration\*

\* Some secondary qualifying events mean a change in premium.



### COBRA Notifications

The laws are very clear and specific in respect to notifications under COBRA. Timely mailing of COBRA notifications is vital for a Plan to be in compliance. If the employer notice to the administrator is beyond normal deadlines, special handling will be necessary. TASC may advise employers to seek the assistance of an experienced benefits attorney.

### Initial Notification

Generally referred to as the General Initial Notification (GIN), the intent of this notice is to acquaint employees, spouses, and dependents with the COBRA law, their notification obligations, and their possible rights to COBRA continuation.

This notice must be provided to all covered employees (and spouses) when the plan becomes subject to COBRA continuation. In addition, it must be sent to all new plan enrollees and their spouses. It should be sent at the time of commencement of coverage under the plan.

The initial notice is sent by TASC by first-class mail to both the employee and spouse at the last known address once employee demographic and plan start information is entered online at [www.tasconline.com](http://www.tasconline.com). If all covered family members live at the same address, only a single notice is needed.

### Qualifying Event Notification

The Qualifying Event Notification informs each QB of their rights to continue their group health insurance coverage under COBRA. Plan administrators must distribute this notice within 14 days of the day they learn of the event. This notice can be sent to all QBs at the last known address via first class mail.

### Election Period and Time Frames

The laws pursuant to COBRA identify specific time frames related to the notice requirements for employers, plan administrators, and qualified beneficiaries. Once a qualified event occurs, these requirements must be satisfied within specific time periods. This would include: the employer informing the plan administrator of the Qualifying Event, the plan administrator notifying Qualified Beneficiaries of their rights, the management of the election period, collection of retroactive premiums, and prospective premium payment.

1. Notice to Plan Administrator – The employer has 30 days to notify the plan administrator that a Qualifying Event has taken place.
2. Notice to Qualified Beneficiaries – The plan administrator has 14 days (from the date they received notice from the employer) to generate the Qualifying Event Notification and mail the notification to all qualified beneficiaries.



Employer Learns of the Event	Notice to Plan Admin.	Notice to Qualified Beneficiary	Premium Payment Period
up to 30 days	up to 14 days	60 day election period	up to 45 days

3. COBRA Election Period – Each Qualified Beneficiary has a minimum election period of 60 days in which to elect COBRA coverage. The 60 days must be based on either the date of the Notice or on the date of the loss of coverage, whichever is later.

### **Termination, Reduction of Hours, Death, and Bankruptcy Timeline**

For divorce or legal separation and cessation of dependency events, the above applies with one exception. Under these events, the employer has 60 days to notify the plan administrator of the event.

### **COBRA Terminating Events**

Various conditions may cause termination of COBRA coverage:

- The maximum available period of continuation coverage has been reached.
- A Qualified Beneficiary fails to make a timely payment.
- A Qualified Beneficiary becomes covered by another group health plan after the date of the COBRA election.
- A Qualified Beneficiary first becomes entitled to (enrolled in) Medicare Part A or Part B after the date of the COBRA election.
- Employer ceases to provide any group health plan to any employee.
- A Qualified Beneficiary ceases to be disabled according to Social Security Administration after the 11-month disability extension has begun.

### **HIPAA Compliance**

Provisions of the Health Insurance Portability and Accountability Act of 1996 (HIPAA) apply to the products you purchase from TASC. Authoritative information regarding the requirements of HIPAA is available in TASC's HIPAA Compliance Manual. To view this manual, including sample required documents and notices, please visit our website at [www.tasconline.com](http://www.tasconline.com). Click on About TASC, then Consumer Protection Program for a link to our HIPAA Compliance Manual.

ACA Employer Reporting  
COBRA Administration  
Flexible Spending Accounts (FSA)  
ERISA Compliance  
FMLA Administration  
Form 5500 Preparation  
Funded HRA  
GiveBack  
Health Reimbursement Arrangements (HRA)  
Health Savings Accounts (HSA)  
HIPAA Compliance  
Medicare Part D  
Non-Discrimination Testing  
PayPath Payroll Services  
PCORI  
Retiree Billing  
Transit & Parking