

# COBRA ADMINISTRATION PROCEDURES MANUAL

Our company has established the following administrative procedures to maintain compliance with the Consolidated Omnibus Budget Reconciliation Act of 1985, commonly known as "COBRA".

These administrative procedures provide guidance in the every day administration of the law. With any unique situations, the administrator will obtain legal support from an appropriate source.

## **COBRA DOCUMENTATION**

The Administrator: **PACIFIC ADMINISTRATORS  
COBRA DIVISION  
6180 Quail Valley Court  
Riverside CA 92507  
Tel: 951/656-9273 . FAX: 951/656-9276  
WEB: [www.pagroup.us](http://www.pagroup.us) email: [cobra@pagroup.us](mailto:cobra@pagroup.us)**

We document every Qualifying Event, Qualified Beneficiaries electing COBRA, selected plans and premium payments. Monthly reporting, filed and maintained for a minimum of seven (7) years. Files will also be maintained for all Qualified Beneficiaries and will house copies of Initial COBRA Notification, Qualifying Event Letter, Conversion Notification, Applications, COBRA Termination Notification and other COBRA related documents.

## **DEFINITIONS**

### **Administrator**

The company performing the administration of the COBRA legislation.

### **COBRA**

The Consolidated Omnibus Budget Reconciliation Act of 1985 and its modifications, additions and deletions.

### **Company**

Our firm (including all divisions/affiliates/subsidiaries)

### **Employee**

A benefit eligible employee, associate, or partner of the company.

### **Dependent**

An employees dependent that is covered under one or more COBRA eligible plans on the day prior to the "Qualifying Event".

### **Insurer**

An insurance company providing benefits to our company that are subject to the COBRA Legislation.

### **Insurance Plan**

A group health plan such as (but not limited to) medical, dental, long-term care, vision, hearing, free-standing psychiatric and AD&D plans.

### **Participant**

An Employee or Dependent that has notified the Administrator of their desire to continue coverage, completed the necessary applications and has made premium payments in a timely manner.

### **Qualified Beneficiary (or Qualifier)**

An Employee or Dependent who experienced a "Qualifying Event" and is eligible to continue coverage under the COBRA legislation.

### **Qualifying Event**

There are six (6) events that an Employee or covered Dependent experiences is considered a qualifying event. In addition to experiencing the event, there must be a subsequent loss of coverage to be a Qualifying Event triggering the need for COBRA administration.

## **QUALIFYING EVENTS**

- ◆ Termination of Employment Reduction in Work Hours;
- ◆ Death of Employee Divorce or Legal Separation of An Employee;
- ◆ Employee Becomes Entitled to Medicare;
- ◆ Loss of "Dependent" Status.

## **COBRA NOTIFICATIONS**

**Initial Notification** - All Employees and covered Dependents will be sent an initial COBRA notification letter stating their rights under the law. As new Employees are hired and enroll in one of the group plans, both the Employee and covered Dependent(s) will be sent an initial COBRA notification letter explaining their rights.

These notifications shall be sent to the last know address of the Employee (and/or Dependent if different) as first class mail through the US Post Office. This letter shall be updated to reflect any changes in the law or court decisions pertaining to the law.

**Qualifying Events** - Termination of Employment, Reduction in Work Hours or Employees Death. When one of these events occur, the Employee and any covered Dependents will be sent (via first class mail) a COBRA Qualifying Event Letter which explains their rights under the law. The letter should be sent to the last known address within fourteen (14) days from the Qualifying Event date or date coverage is to be terminated.

This letter should be updated to reflect any changes in the law or court decisions pertaining to the law. In the situation of an Employees Divorce or Legal Separation, Medicare Entitlement or Loss of "Dependent" Status; it is the responsibility of the covered Dependent to notify the Administrator of the Qualifying Event within sixty (60) days from the date of the Qualifying Event.

If the Administrator is informed by the Dependent, the Administrator shall send a COBRA Qualifying Event Letter (via first class mail) to the affected dependent(s) within fourteen (14) days from the date they were informed.

The Qualified Beneficiary will be given sixty (60) days from the later of the Qualifying Event date or the date coverage is lost to inform the Administrator of their decision to continue one or more of the company's group plans. Upon notification, the Administrator will have the Qualified Beneficiary complete the necessary COBRA enrollment forms and submit them immediately to the appropriate Insurer.

**Conversion Privilege Notification** - The third notification required by law is the conversion to an individual plan notification. If available to active employees, COBRA Participants will be offered the right to continue under a conversion plan per the guidelines set forth by the associated Insurer. The conversion notification will be sent approximately (but not earlier than) one-hundred eighty (180) days prior to the end of the Participants COBRA term (either eighteen or thirty-six months).

**Certificate of Coverage** - With the passage of the Health Insurance Portability and Accountability Act of 1996 (HIPAA), we will provide a "Certificate of Coverage to individuals that experience a loss of coverage from any or all of the Company's group plans. The Certificate of Coverage will detail the individuals coverage start and completion dates. (All COBRA Participant's were notified of the changes to the law prior to November 1, 1996.)

## **PREMIUM PAYMENTS**

**Monthly Premiums** - COBRA Participants will be charge the group rate (the amount charged by the insurance company for a similarly situated active employee) plus an administration charge (between 0% and 2% of premiums).

COBRA Premiums shall not be changed at times other than annual insurance renewal, a change in the number of Dependents under a Participants plan or if a Participant is determined by Social Security Administration to be "Disabled".

If a Participant is determined to be "Disabled" the Company may charge an increased administration fee (between 0% and 50% of premiums). Upon receiving renewal rates, the Administrator shall notify the COBRA Participants of the new premiums.

**Premium Due Date** - COBRA Participants must make timely premium payments to continue under the Company's group plan(s). There are two (2) different grace periods that shall be offered to COBRA Participants prior to termination from any plan.

**Initial Grace Period** - Upon notifying the Administrator of their desire to continue, the COBRA Participant will have a forty-five (45) day grace period (commencing on the latter of the date the Administrator was notified of the continuation or the date premiums are due to the Insurer) to make their first premium payment.

**Subsequent Grace Period** - For all remaining COBRA premium payments, the Participant shall be provided a thirty-one (31) day grace period. The Company will use the postmark date as the determination if a payment is made in a timely fashion.

## **DISABLED COBRA PARTICIPANTS**

For Qualified Beneficiaries that experienced either a Termination of Employment or Reduction in Work Hours and who have been determined to be "Disabled" by Social Security Administration in the first eighteen (18) months of COBRA Continuation, shall be offered an eleven (11) month extension.

Both the "Disabled" COBRA Participant and all other individuals on the plan will be eligible for the eleven (11) month extension. Prior to granting the eleven (11) month Disability extension, the Administrator shall request a copy of the Social Security Administrations letter of Disability approval. This letter shall be forwarded to the appropriate Insurer and filed in the Participants file.

## **MULTIPLE QUALIFYING EVENTS**

Dependents of Employees that have experience either Termination of Employment or a Reduction in Work Hours shall be offer a total of thirty-six (36) months COBRA continuation if they (the Dependent) experience another Qualifying Event. The thirty-six months will commence from the Employees original Qualifying Event date. It is the responsibility of the Dependent to notify the Administrator of the Qualifying Event within sixty (60) days of the event.

## **TERMINATION FROM COBRA**

The Administrator shall terminate COBRA Continuation Coverage upon one or more of the following events:

**Insurance Plan Termination:** If the Company terminates a group insurance plan for active employees, COBRA Participants shall be notified and terminated from that plan only. If the Company offers a new similar type of Insurance Plan, the Administrator will offer COBRA Participants the right to enroll in the new plan.

**Nonpayment of COBRA Premiums:** COBRA Participants will be terminated for nonpayment of premiums if premiums are not postmarked within the associated grace period.

**Coverage Under Another Group Plan:** For COBRA Participants that obtain similar coverage under another group plan, the Administrator will notify the Participant of their termination from the Company's Insurance Plan. Prior to termination, the Administrator will review with the Participant, the new group plans preexisting condition limitations.

If the Participants new group plan does not cover a preexisting condition, the Participant may continue under the Company's group plan until the end of the COBRA term.

**Medicare Entitlement** - Once a Participant becomes entitled to Medicare, the Administrator may terminate COBRA Continuation Coverage. Prior to termination, the Administrator shall contact the Participant, establish a date of termination so that there will be no lapse in coverage. Dependents enrolled on the Medicare Entitled persons plan may continue to the end of their COBRA term.

**Out of Insurance Company's Service Area** - If a Participant is enrolled in an insurance plan that requires members to reside in a specific geographical area and they move from that area, the Administrator shall notify the Participant and terminate coverage. If another similar plan is available that does not have geographic requirements, the Administrator shall offer the plan to the Participant.

**End of COBRA Term** - Once the Participant has reached the end of their COBRA time frame (either 18 or 36 months), the Administrator shall send a termination notice. The Participant shall be offered the right to convert to a individual plan (where available) that has no preexisting condition limitations.

In addition, the COMPANY will provide a "Certificate of Coverage" detailing their completion of COBRA. This will allow them to apply for an individual plan without having preexisting condition limitations.

COBRA Participants have the right to a hearing if they disagree with any termination. At the Participants request, the Administrator shall set up a hearing and have the appropriate Company managers attend to review the termination and decide on its validity.