Administering COBRA

Employer Administration Manual

CLB1432_1024

Contents

Summary of PacificSource Administrators COBRA administration 3

PacificSource Administrators contacts 4

Getting started 5
Health benefits under COBRA

COBRA–the developing law 11

Initial notice of COBRA rights 13
Notification by employers
Notification by PacificSource Administrators

Qualifying events 14

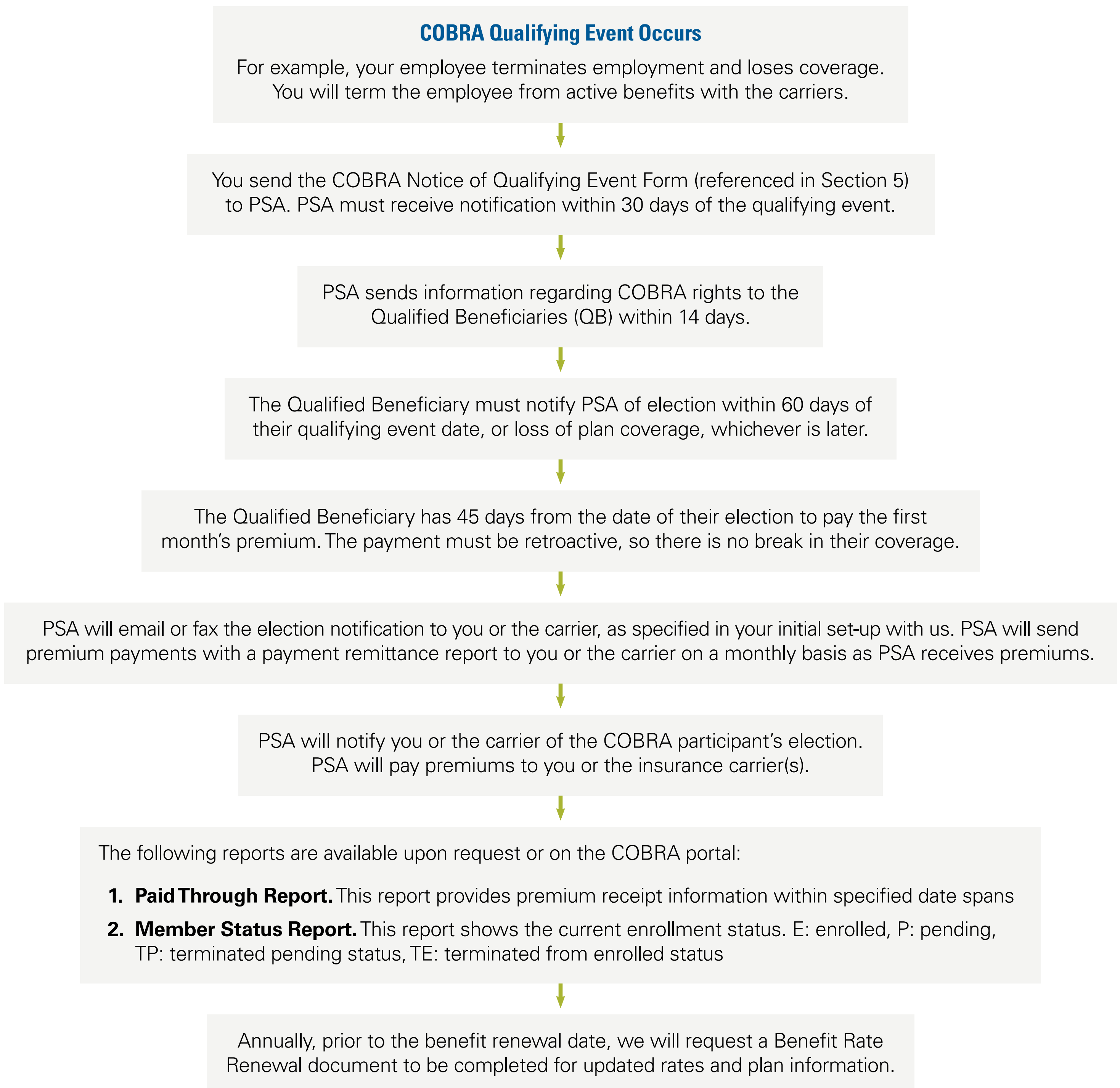
Election by qualified beneficiaries 15

Billing procedures 16

Annual or open enrollments 16

Summary of PacificSource Administrators COBRA administration

The following flowchart summarizes the COBRA procedures of PacificSource Administrators, Inc. (PSA).



COBRA Qualifying Event Occurs

For example, your employee terminates employment and loses coverage. You will term the employee from active benefits with the carriers.

↓

You send the COBRA Notice of Qualifying Event Form (referenced in Section 5) to PSA. PSA must receive notification within 30 days of the qualifying event.

↓

PSA sends information regarding COBRA rights to the Qualified Beneficiaries (QB) within 14 days.

↓

The Qualified Beneficiary must notify PSA of election within 60 days of their qualifying event date, or loss of plan coverage, whichever is later.

↓

The Qualified Beneficiary has 45 days from the date of their election to pay the first month's premium. The payment must be retroactive, so there is no break in their coverage.

↓

PSA will email or fax the election notification to you or the carrier, as specified in your initial set-up with us. PSA will send premium payments with a payment remittance report to you or the carrier on a monthly basis as PSA receives premiums.

↓

PSA will notify you or the carrier of the COBRA participant's election. PSA will pay premiums to you or the insurance carrier(s).

↓

The following reports are available upon request or on the COBRA portal:

1. **Paid Through Report.** This report provides premium receipt information within specified date spans
2. **Member Status Report.** This report shows the current enrollment status. E: enrolled, P: pending, TP: terminated pending status, TE: terminated from enrolled status

↓

Annually, prior to the benefit renewal date, we will request a Benefit Rate Renewal document to be completed for updated rates and plan information.

PacificSource Administrators contacts

Main office

COBRA customer service	Toll free: **877-355-2760**
Local:	**541-225-2760**
COBRA notification fax	541-225-3684
COBRA email	COBRA@PacificSource.com

Sales team

Phone:	**541-225-2777**
Sales team email:	PSAsales@PacificSource.com

COBRA billing address

PacificSource Administrators COBRA
PO Box 71096
Springfield, OR 97475

Getting started

Health benefits under the Consolidated Omnibus Budget Reconciliation Act (COBRA)

Provided by the U.S. Department of Labor.

Introduction

Health insurance programs allow workers and their families to take care of essential medical needs. These programs can be one of the most important benefits provided by an employer.

There was a time when group health coverage may have been terminated when a worker lost his/her job or changed employment. That changed in 1986 with the passage of health benefit provisions in the Consolidated Omnibus Budget Reconciliation Act (COBRA). Now, terminated employees or those who lose coverage because of reduced work hours may be able to buy group coverage for themselves and their families for limited periods of time.

The employer-sponsored health plan must provide a notice stating the right to choose to continue benefits provided by the plan to those entitled to elect COBRA continuation coverage. The recipient has 60 days to accept coverage or lose all rights to benefits. Once COBRA coverage is chosen, the recipient may be required to pay for the coverage.

This booklet is designed to:

- Provide a general explanation of COBRA requirements
- Outline the rules that apply to health plans for employees in the private sector
- Spotlight employee rights to benefits under this law

What is the Continuation Health Law?

Congress passed the landmark consolidated Omnibus Budget Reconciliation Act (COBRA) health benefit provisions in 1986. The law amends the Employee Retirement Income Security Act (ERISA), the Internal Revenue Code and the Public Health Service Act to provide continuation of group health coverage that otherwise might be terminated.

COBRA contains provisions giving certain former employees, retirees, spouses, and dependent children the right to temporary continuation of health coverage at group rates. This coverage, however, is only available in specific instances. Group health coverage for COBRA participants is usually more expensive than health coverage for active employees, since usually the employer pays a part of the premium for active employees while COBRA participants generally pay the entire premium themselves.

The law generally covers group health plans maintained by employers with 20 or more employees in the prior year. It applies to plans in the private sector and those sponsored by state and local governments. The law does not, however, apply to plans sponsored by the Federal government and certain church-related organizations.

Group health plans sponsored by private sector employers generally are welfare benefit plans governed by ERISA and subject to its requirements for reporting and disclosure, fiduciary standards, and enforcement. ERISA neither establishes minimum standards or benefit eligibility for welfare plans nor mandates the type or level of benefits offered to plan participants. It does, however, require that these plans have rules outlining how workers become entitled to benefits.

Under COBRA, a group health plan ordinarily is defined as a plan that provides medical care for the employer's own employees and their dependents through insurance or another mechanism such as a trust, health maintenance organization, self-funded pay-as-you-go basis, reimbursement, or combination of these. Medical benefits provided under the terms of the plan and available to COBRA beneficiaries may include:

- Inpatient and outpatient hospital care
- Physician care
- Surgery and other major medical benefits
- Prescription drugs
- Any other medical benefits, such as dental and vision care
- Employee assistance program (EAP)
- Flexible spending account (FSA) and health reimbursement arrangement (HRA)

Life insurance, however, is not covered under COBRA.

Who is entitled to benefits?

There are three elements to qualifying for COBRA benefits. COBRA establishes specific criteria for plans, beneficiaries, and events that initiate the coverage.

Plan coverage

Group health plans for employers with 20 or more employees on more than 50 percent of the working days in the previous calendar year are subject to COBRA. The term "employee" includes all full-time and part-time employees, as well as self-employed individuals. For this purpose, the term employees also includes agents, independent contractors, and directors, but only if they are eligible to participate in a group health plan.

Beneficiary coverage

A qualified beneficiary generally is any individual covered by a group health plan on the day before a qualifying event. A qualified beneficiary may be an employee, the employee's spouse and dependent children, and in certain cases, a retired employee, the retired employee's spouse and dependent children.

Qualifying events

"Qualifying events" are certain types of events that would cause (except for COBRA continuation coverage) an individual to lose health coverage. The type of qualifying event will determine who the qualified beneficiaries are and the required amount of time that a plan must offer the health coverage to them under COBRA. A plan, at its discretion, may provide longer periods of coverage.

The types of qualifying events for **employees** are:

- Termination of employment for reasons other than "gross misconduct"
- Reduction in the number of hours of employment

The types of qualifying events for **spouses** are:

- Termination of the covered employee's employment for any reason other than "gross misconduct"
- Reduction in the hours worked by the covered employee
- Covered employee becoming entitled to Medicare
- Divorce or legal separation of the covered employee
- Death of the covered employee

The types of qualifying events for **dependent children** (up to age 26) are the same as for the spouse, with one addition:

- Loss of "dependent child" status under the plan rules

Periods of coverage

Qualifying Event	Qualified Beneficiary	Maximum Period of Continuation Coverage
Termination Reduced hours	Employee Spouse Dependent child	18 months*
Employee entitled to Medicare Divorce or legal separation Death of covered employee	Spouse Dependent child	36 months
Loss of "dependent child" status	Dependent child	36 months

*In the case of individuals who qualify for Social Security disability benefits, special rules apply to extend coverage an additional 11 months.

COBRA rights: Notice and election procedures

COBRA outlines procedures for employees and family members to elect continuation coverage and for employers and plans to notify beneficiaries. The qualifying events contained in the law create rights and obligations for employers, plan administrators and qualified beneficiaries.

Qualified beneficiaries have the right to elect to continue coverage that is identical to the coverage provided under the plan. Employers and plan administrators have an obligation to determine the specific rights of beneficiaries with respect to election, notification, and type of coverage options.

Notice procedures

General notices

An initial general notice must be furnished to covered employees, their spouses and newly hired employees informing them of their rights under COBRA and describing provisions of law.

COBRA information also is required to be contained in the summary plan description which participants receive. ERISA requires employers to furnish modified and updated summary plan descriptions containing certain plan information and summaries of material changed in plan requirements. Plan administrators must automatically furnish the summary plan description booklet 90 days after a person becomes a participant or a beneficiary begins receiving benefits or within 120 days after the plan is subject to the reporting and disclosure provisions of the law.

Specific notices

Specific notice requirements are triggered for employers, qualified beneficiaries, and plan administrators when a qualifying event occurs. Employers must notify plan administrators within 30 days after an employee's death, termination, reduced hours of employment or entitlement to Medicare. Multi-employer plans may provide for a longer period of time.

A qualified beneficiary must notify the plan administrator within 60 days after events such as divorce or legal separation or a child's ceasing to be covered as a dependent under plan rules.

Disabled beneficiaries must notify plan administrators of Social Security disability determinations. A notice must be provided within 60 days of a disability determination and prior to expiration of the 18- month period of COBRA coverage. These beneficiaries also must notify the plan administrator within 30 days of a final determination that they are no longer disabled.

Plan administrators, upon notification of a qualifying event, must automatically provide a notice to employees and family members of their right to elect COBRA coverage. The notice must be provided in person or by first class mail within 14 days of receiving information that a qualifying event has occurred.

There are two special exceptions to the notice requirements for multi-employer plans. First, the time frame for providing notices may be extended beyond the 14- and 30-day requirement if allowed by plan rules. Second, employers are relieved of the obligation to notify plan administrators when employees terminate or reduce their work hours. Plan administrators are responsible for determining whether these qualifying events have occurred.

Election

The election period is the time frame during which each qualified beneficiary may choose whether to continue healthcare coverage under an employer's group health plan. Qualified beneficiaries have a 60-day period to elect whether to continue coverage. This period is measured from the later of the coverage loss date or the date the notice to elect COBRA coverage is sent. COBRA coverage is retroactive if elected and paid for by the qualified beneficiary.

Each qualified beneficiary may independently elect COBRA coverage. A parent or legal guardian may elect on behalf of a minor child.

A waiver of coverage may be revoked by or on behalf of a qualified beneficiary before the end of the election period. A beneficiary may then reinstate coverage as long as it's within the original 60-day election period.

How COBRA coverage works

Example 1:

John Q. participates in the group health plan maintained by the ABC Co. John is fired for a reason other than gross misconduct and his health coverage is terminated. John may elect and pay for a maximum of 18 months of coverage by the employer's group health plan at the group rate. (See "Paying for COBRA Coverage" on page 9.)

Example 2:

Day laborer David P. has health coverage through his wife's plan sponsored by the XYZ Co. David loses his health coverage when he and his wife become divorced. David may purchase health coverage with the plan of his former wife's employer. Since in this case divorce is the qualifying event under COBRA, David is entitled to a maximum of 36 months of COBRA coverage.

Example 3:

RST, Inc. is a small business which maintained an insured group health plan for its 10 employees in 1987 and 1988. Mary H., a secretary with six years of service, leaves in June 1988 to take a position with a competing firm which has no health plan. She is not entitled to COBRA coverage with the plan of RST, Inc. since the firm had fewer than 20 employees in 1987 and is not subject to COBRA requirements.

Covered benefits

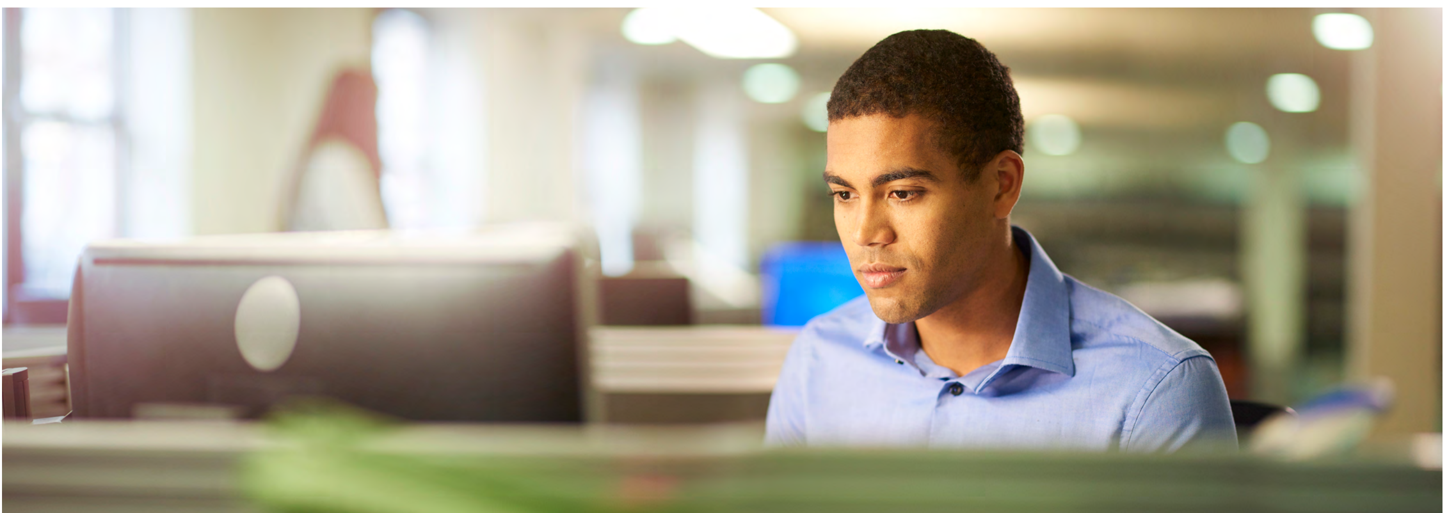
Qualified beneficiaries must be offered coverage identical to those received as an active employee or member.

For example, a beneficiary may have had medical hospitalization, dental, vision, and prescription benefits under single or multiple plans maintained by the employer. Assuming a qualified beneficiary has been covered by three separate health plans of his former employer on the day preceding the qualifying event, that individual has the right to elect to continue coverage in any of the three health plans.

Non-core benefits are vision and dental services, except where they are mandated by law in which cases they become core benefits. Core benefits include all other benefits received by a beneficiary immediately before qualifying for COBRA coverage.

If a plan provides both core and non-core benefits, individuals may generally elect either the entire package or just core benefits. Individuals do not have to be given the option to elect just the non-core benefits unless those were the only benefits carried under that particular plan before a qualifying event.

A change in the benefits under the plan for active employees may apply to qualified beneficiaries. Beneficiaries also may change coverage during periods of open enrollment by the plan.



Duration of coverage

COBRA establishes required periods of coverage for continuation health benefits. A plan, however, may provide longer periods of coverage beyond those required by COBRA. COBRA beneficiaries generally are eligible to pay for group coverage during a maximum of 18 months for qualifying events due to employment termination or reduction of hours of work. Certain qualifying events, or a second qualifying event during the initial period of coverage, may permit a beneficiary to receive a maximum of 36 months of coverage.

Coverage begins on the date that coverage would otherwise have been lost by reason of a qualifying event and can end when:

- The last day of maximum coverage is reached
- Premiums are not paid on a timely basis
- The employer ceases to maintain any group health plan
- Coverage is obtained with another employer group health plan that does not contain any exclusion or limitation with respect to any pre-existing condition of such beneficiary
- A beneficiary is entitled to Medicare benefits

Special rules for disabled individuals may extend the maximum periods of coverage. If a qualified beneficiary is determined under Title II or XVI of the Social Security Act to have been disabled, and the qualified beneficiary properly notifies the plan administrator of the disability determination, the 18-month period is expanded to 29 months.

Although COBRA specifies certain maximum required periods of time that continued health coverage must be offered to qualified beneficiaries, COBRA does not prohibit plans from offering continuation health coverage that goes beyond the COBRA periods.

Some plans allow beneficiaries to convert group health coverage to an individual policy. If this option is available from the plan under COBRA, it must be offered to beneficiaries. In this case, the option must be given for the beneficiary to enroll in a conversion health plan within 180 days before COBRA coverage ends. The premium is generally not a group rate. The conversion option, however, is not available if the beneficiary ends COBRA coverage before reaching the maximum period of entitlement.

Paying for COBRA coverage

Beneficiaries may be required to pay the entire premium for coverage. The premium cannot exceed 102 percent of the cost to the plan for similarly situated individuals who have not incurred a qualifying event. The premium reflects the total cost of group health coverage, including both the portion paid by employees and any portion paid by the employer before the qualifying event, plus two percent for administrative costs.

For disabled beneficiaries receiving an additional 11 months of coverage after the initial 18 months, the premium for those additional months may be increased to 150 percent of the plan's total cost of coverage.

Premiums due may be increased if the costs to the plan increase, but generally must be fixed in advanced of each 12-month premium cycle. The plans must allow COBRA beneficiaries to pay premiums on a monthly basis upon request.

The initial premium payment must be made within 45 days after the date of the COBRA election by the qualified beneficiary. Payment generally must cover the period of coverage from the date of COBRA election retroactive to the date of the loss of coverage due to the qualifying event. Premiums for successive periods of coverage are due on the date stated in the plan with a minimum 30-day grace period for payments.

The due date may not be prior to the first day of the period of coverage. For example, the due date for the month of January could not be prior to January 1 and coverage for January could not be cancelled if payment is made by January 31.

Premiums for the rest of the COBRA period must be made within 30 days after the due date for each such premium or such longer period as provided by the plan. The plan however, is not obligated to send monthly premium notices.

COBRA beneficiaries remain subject to the rules of the plan and therefore must satisfy all costs related to deductibles, catastrophic, and other benefit limits.

Claims procedures

Health plan rules must explain how to obtain benefits and must include written procedures for processing claims. Claims procedures are to be included in the summary plan description.

Complete plan rules are available from employers or benefits offices. The carrier may charge a fee for copies of plan rules.

Coordination with other benefits

The Family and Medical Leave Act (FMLA), effective August 5, 1993, requires an employer to maintain coverage under any "group health plan" for an employee on FMLA leave under the same conditions, coverage would have been provided if the employee had continued working. Coverage provided under the FMLA is not COBRA coverage, and FMLA leave is not a qualifying event under COBRA. A COBRA qualifying event may occur, however, when an employer's obligation to maintain health benefits under FMLA ceases, such as when an employee notifies an employer of his or her intent not to return to work.

Further information on FMLA is available from the nearest office of the Wage and Hour Division, listed in most telephone directories in U.S. Government, Department of Labor, Employment Standards Administration.

Conclusion

Rising medical cost has transformed health benefits from a privilege to a household necessity for most Americans. COBRA creates an opportunity for a person to retain this important benefit.

Workers need to be aware of changes in healthcare laws to preserve their benefit rights. A good starting point is reading your plan booklet. Most of the specific rules on COBRA benefits can be found with the person who manages your health benefits plan.

Be sure to periodically contact the health plan to find out about any changes in the type or level of benefits offered by the plan.

COBRA–the developing law

IRS COBRA regulations

Since they were issued in 1987, the now familiar IRS proposed regulations have been virtually the sole source of regulatory guidance on COBRA compliance. On February 3, 1999, the IRS issued these regulations in final form. The final regulations revamp the proposed regulations—conforming them to intervening changes in the COBRA statute, revising numerous well-settled issues, and clarifying others.

PSA has substantially condensed the comprehensive changes made by these new COBRA regulations. To view the final regulations in its entirety, and/or review the proposed regulations, please refer to the Department of Labor's website, DOL.gov.

13 significant changes or additions made by regulations

1. **Post-Geissal guidance regarding dual coverage.**

   COBRA may be elected for the maximum coverage period even if the qualified beneficiary has other coverage or Medicare at the time of the election. Under this regulation, a plan may terminate a qualified beneficiary's COBRA coverage (due to having other coverage) only if the qualified beneficiary becomes covered under another group health plan ***after*** the date of the COBRA election.

   There are three guidelines to remember when a qualified beneficiary has (or obtains) coverage under another group health plan or Medicare:

   a. If a qualified beneficiary has other coverage at the time of their qualifying event, COBRA must still be offered and COBRA coverage cannot be cut off because of that other coverage;
   b. If a qualified beneficiary does not have other coverage at the time of a qualifying event and is offered COBRA, then gets other coverage, then elects COBRA, COBRA coverage cannot be cut off because of that other coverage; and
   c. If a qualified beneficiary does not have other coverage at the time of a qualifying event and is offered COBRA, then elects COBRA, then gets other coverage, COBRA coverage can end due to other coverage (assuming the new plan has no exclusions or limitations that applied to pre-existing conditions of the individual).

2. **Core/Noncore distinction eliminated.**

   General rule: qualified beneficiaries must be offered the right to continue the exact coverage they had before their qualifying event (with the right to change their election at the next open enrollment), and they must be given a separate election for each group health plan they are covered on.

   An employer must offer the COBRA plans, just as they are offered to active employees. For instance, if an employer requires an active employee to take medical with dental, then the COBRA participant is required to take both medical and dental. If an employer allows active employees to choose whether they want medical and/or dental, then the COBRA participant can decide which coverage they would want and be allowed to take only dental.

   If an employer has only one plan providing both dental and medical, then the qualified beneficiary needs only to be offered the right to continue whatever combination they had at the time of the qualifying event or no coverage at all.

3. **Plans must accept COBRA premium payments that are short by an insignificant amount unless special notice procedures are implemented.**

   The amount paid is deemed to satisfy the payment requirement unless the plan notifies the qualified beneficiary of the amount of the deficiency and grants a reasonable period of time for payment of the deficiency to be made. A period of 30 days after the date the notice is provided is a reasonable period of time; however, a shorter period may be reasonable as well.

   COBRA administrators now have a clear procedure for dealing with minor shortfalls in premium payments. Either the administrator ignores the shortfall or follows the procedure in the final regulations. Unfortunately, the final regulations don't define the amount or percentage of premium that should be considered insignificant.

4. **Various approaches permitted for handling coverage during the election period while waiting to see if the qualified beneficiary elects and pays for COBRA.**

   An indemnity or reimbursement plan can either continue coverage during the election period (subject to retroactive cancellation if no election is made) or cancel coverage and retroactively reinstate it upon election of COBRA.

5. **Plans are required to disclose to healthcare providers relevant information about an individual's COBRA status.**

   For example, the individual is eligible for COBRA, but has not yet elected, or the individual has elected, but not yet paid.

6. **Elections, waivers, and premium payments are considered made on the dates they are sent.**

   One new risk created by the rule is that plans will have to consider payment timely even if it is lost in the mail and not actually paid until sometime after the grace period expires, assuming the qualified beneficiary can provide the date payment was sent.

7. **A newborn or child placed for adoption becomes a qualified beneficiary only if the covered employee is on COBRA.**

   If a covered employee who is a qualified beneficiary does not elect COBRA continuation coverage during the election period, then any child born to or placed for adoption with the covered employee, on or after the date of the qualifying event, is not a qualified beneficiary.

8. **The qualifying event for newborn or adopted child of covered employee on COBRA is the covered employee's termination or reduction in hours, but a second qualifying event may trigger additional coverage for the child beyond the basic 18-month period.**

   If a second qualifying event occurs before the child is born or placed for adoption (such as the death of the coverage employee), then the second qualifying event also applies to the newborn or adopted child.

9. **The 60-day election period ends 60 days after the election notice is "provided" to the qualified beneficiary (or 60 days from the loss of coverage, if later).**

   The U.S. Department of Labor (DOL) in Technical Release 86-1 issued in 1986 and some informational brochures available on its website, has taken the position that the 60-day period is measured from the date the election is sent. The DOL has jurisdiction over plan administrator COBRA notices, not the IRS.

   Consider using standard mail for notices as an alternative to certified mail. Be sure to allow additional time for standard mail delivery.

10. **Qualified beneficiaries have the same open enrollment rights as actives, and sometimes more.**

    The regulations provide that a qualified beneficiary (whether a covered employee, spouse, former spouse, or former dependent child) has the same rights at open enrollment as any similarly situated active employee.

11. **Termination of employment following a reduction in hours is not a multiple qualifying event.**

12. **Small employer exception: Count foreign employees; count only common-law employees; Count number on typical business day.**

    A small employer is an employer that had fewer than 20 employees on a typical business day of the preceding calendar year. (Proposed regulations used the term "working days.")

    Count all employees of all corporations (for trades or businesses under common control) with the employer that maintains the group health plan. There is no exception for foreign corporations or business entities. This means that employers must count all employees of corporations outside the United States, and all foreign employees of a U.S. corporation. Though they must be counted to determine if the small employer exception applies, nonresident aliens with no U.S. source income do not have to be offered COBRA and they are not qualified beneficiaries.

    Employers do not have to count self-employed individuals, independent contractors, or members of a corporate employer's board of directors as employees.

13. **Various premium payment rules help settle some uncertainties.**

    Premium payments must be accepted on behalf of a qualified beneficiary, regardless of who makes the payments.

    In the case of the disability extension, the plan can charge 150% of the applicable premium after the 18th month and can also charge 150% of the premium for the family rate as long as they are in the same coverage group as the disabled individual.

Initial notice of COBRA rights

General notice requirements for group health plans

Group health plans must provide covered employees and their spouses with written notice of their COBRA rights at the time coverage under the plan begins. This notice must include a description of the rules relating to pre-existing conditions.

The Department of Labor has issued a Model Notice which will indicate a reasonable, good faith interpretation of the initial notice requirement (an example of this is available upon request). A plan will have made a good faith effort to comply with the notice requirements if the Model Notice is provided to each covered employee and spouse by first class mail delivered to the covered employee's last known address. The Model Notice is not the only means of achieving good faith compliance with a reasonable interpretation of the notice rules. Whether other methods of notification achieve compliance with the initial notice requirements, however, must be determined on a case-by-case basis.

Summary plan description

The initial notice of COBRA rights may be included in the summary plan description. Employers may elect to add the DOL Model Notice to their summary plan descriptions as a means of easily complying with this requirement. However, the DOL Model Notice must be updated to reflect later law changes.

Distribution of initial information notice

The mere posting of notice at the employer's place of business does not constitute adequate notice. However, a method other than first class mail sent to the covered employee's last known address may be sufficient to satisfy COBRA. Thus, an employer's hand delivery of two notices to a covered employee with an instruction to provide one to his spouse was a good faith effort reasonably calculated to reach the spouse.

Presumption of receipt

A letter properly addressed and mailed first class is presumed to have been received by a covered employee. Employers or plan administrators who send proper notice by first class mail to a covered employee's last known address are deemed to be in good faith compliance. The presumption of receipt may not apply if the employer does not produce a mailing label or other documentation to establish that a computerized system actually sent a notice to an employee.

If the last known address of the spouse of a covered employee is the same as that of the covered employee, the DOL will accept a single mailing address to both the employee and the spouse as good faith compliance. However, if the employer knows that the spouse of the covered employee is not living at the covered employee's last known address, good faith compliance will require a separate first class mailing to the spouse's last known address.

Qualifying events

Notification by employers

Employers must notify PacificSource Administrators (PSA) within 30 days of the date of the qualifying event. An employer must provide proper notice sufficient to inform PSA that a qualifying event has occurred. Failure to give such notice can result in the employer's liability for the employee's medical expenses that would have been covered under the health plan if the employee had received COBRA coverage.

Notification by PSA

PSA must notify each qualified beneficiary in writing of the right to continuation coverage within 14 days of receiving notice of the qualifying event from the employer. Continuation coverage is available only to covered employees who lose coverage under plan terms as the result of a qualifying event. Consequently, the administrator is not required to send notice to individuals who were not covered employees on the date of the qualifying event.

PSA will mail the qualifying event notice by first class mail to the last known address to the covered employee and qualified dependents. The employer is responsible for sending/faxing a Notification Form to PSA when a qualifying event occurs.

Examples of the DOL Model Notice and Notice of Changes Under HIPAA to COBRA Continuation Coverage Under Group Health Plans letter are available upon request. PSA will send copies of these letters by first class mail to the last known address of the covered employee and his/her spouse. The employer is responsible to notify PSA when the notices need to be sent and to what address they need to go.

Election by qualified beneficiaries

Deadline for making elections

A qualified beneficiary may be denied continuation coverage if a "timely" election of coverage is not made. Generally, an election is timely if it is made during the election period.

The election period must be at least 60 days long and begins on either the date on which coverage under the plan terminates, because of a qualifying event, or the date the COBRA notice is sent by PacificSource Administrators (PSA), whichever is later. Therefore, depending upon when the employer or PSA provides the COBRA notice, the election period may in a number of instances, be delayed beyond the 60 days from the date coverage is lost. The initial premium payment must be made within 45 days after the date of the COBRA election by the qualified beneficiary.

Independent election of continuation coverage

Each qualified beneficiary must be allowed the opportunity to make an independent election to receive continuation coverage and to switch to another plan during an open enrollment period. The 1999 final regulations extend this right to children born to or placed for adoption with a covered employee during the COBRA coverage period.

Payment of premiums

A qualified beneficiary will be required to pay 102 percent of the applicable premium and PSA will retain 2 percent of the premium. Plans may terminate a qualified beneficiary's continuation coverage on the first day of any period for which a timely payment is not made.

PSA will look at the mailing date on the envelope to determine when the premium was mailed. If the date is after the 30-day grace period PSA will notify the qualified beneficiary that the payment was received after the grace period and unprocessed.

Enrollment of qualified beneficiary

Upon receipt of a qualified beneficiary's enrollment form and premium payment, PSA will record payment, and mail a premium check back to the employer or directly to the carrier, depending upon the group setup. Premiums are mailed the first week of the month following receipt of the full premium. The employer or PSA will be responsible to inform the insurance provider of any elections, terminations, and premium payments.

Coupons will be sent to the enrolled qualified beneficiaries that are to be detached and mailed monthly with premium payment. If a qualified beneficiary does not pay the monthly premium, a notice will be sent notifying them of the termination of coverage. A similar notice will be sent after the 60-day election period if a qualified beneficiary does not pay the initial premium payment.

COBRA premium shortfalls

PacificSource Administrators will accept premium payment shortfalls of $50.00 or less and apply it to the monthly premium. At that time, a separate billing will be sent notifying the qualified beneficiary of the deficit.

Billing procedures

Administrative bills for the previous month's services are sent out by the 5th of each month and are due by the end of the month.

There are two ways to submit payment for COBRA administration:

Mail:

PacificSource Administrators, Inc.
COBRA Department
PO Box 71096
Springfield, OR 97475

Electronically (ACH):

PSA COBRA ACH information provided upon request.

Annual or open enrollments

COBRA qualified beneficiaries may participate in annual and open enrollments just as active covered employees do, as long as the employer maintains more than one health plan. If the employer maintains more than one plan, each qualified beneficiary is entitled to the same open enrollment period rights, such as a choice of coverage under another employer-sponsored plan or the addition or elimination of coverage for family members, as are similarly situated active employees for whom a qualifying event has not occurred.

If an employer makes an open enrollment period available to non-COBRA beneficiaries then the same open enrollment rights must be made available to COBRA beneficiaries, regardless of how many plans the employer maintains. This is in keeping with one of the primary goals of COBRA, i.e., to afford coverage that does not differ "in any way" from the coverage afforded to non-COBRA beneficiaries.

Presumably, COBRA enrollees have the opportunity to elect coverage within the same time frames as active employees and for a cost calculated at 102 percent of the applicable premium. If qualified beneficiaries enroll for different coverage in advance of the effective date of the change, any premium change will occur as of the effective date rather than as the date of the enrollment.

At open enrollment, PacificSource Administrators COBRA will send you a Benefit Rate and Renewal form. In order to have a smooth transition, the Benefit Rate and Renewal form needs to be filled out in its entirety and mailed to PacificSource Administrators COBRA two weeks prior to the renewal date of your group health benefit plan(s).