

CobraServSM

A Ceridian Service

**your simple,
cost-effective
COBRA
solution**



What The Law Requires:

COBRA

Who must comply

In general, group health plans maintained by an employer with 20 or more employees are subject to COBRA. Recently released proposed regulations use a full-time equivalency method to count part-time employees for purposes of determining if an employer had 20 or more employees on a typical business day for 50% of the preceeding calendar year.

Initial Notice of COBRA Rights and Obligations (New Hire notification of rights)

As the employer or plan administrator, you must notify every employee (and each employee's covered spouse) of his or her rights under COBRA when he or she first becomes covered under the group health plan. Remember: correct verbiage is required. Ceridian provides New Hire Notifications as one of our services.

Qualifying Event notifications

Within 14 days of a Qualifying Event (or notification of a Qualifying Event to the Plan Administrator), you must notify employees, spouses and dependent children of their continuation rights, benefits and premium rates for the plan(s) for which they're eligible. These notifications must be worded in a specific way in order to meet the requirements of the law.

COBRA Qualifying Events

- Termination of employment for any reason other than gross misconduct
- Reduction of hours worked by employee
- Death of the employee
- Divorce or legal separation from the covered employee
- Dependent child ceasing to meet eligibility requirements

- Coverage is lost by covered spouse and covered dependent because active employee or retiree (or COBRA participant) becomes entitled to Medicare
- Retiree, spouse or child of retiree who loses or receives reduced coverage under the retirement plan due to Title 11 Bankruptcy of the sponsoring employer.

Adherence to election rights

Coverage period

When a Qualifying Event occurs, the sponsoring employer must allow continued coverage under the group health plan for up to 18-36 months, depending on the Event and continued eligibility.

Election time frame

Qualified Beneficiaries are allowed 60 days to elect continuation coverage retroactive to the benefit termination date or date of Qualifying Event notice – whichever is later.

Dependent coverage

You must allow “stacking” of coverage. If a COBRA participant elects family coverage, his/her dependent(s) are allowed to continue benefits if/when they would otherwise cease to be eligible under the contract as dependents during the 18- or 36-month continuation period.

Independent elections

Each Qualified Beneficiary must be allowed to make an election independent of the employee’s choice.

Other coverage

You must allow COBRA participant(s) to continue COBRA coverage despite their becoming covered under a new group health plan after the date of election, if the new plan contains an “exclusion of pre-existing condition” limitation.

Ongoing administration

You must allow COBRA participants to change benefits annually if the option is available to active employees (i.e., flexible benefits plans/HMO dual option plans). Open enrollment periods must be allowed for COBRA participants on the same basis as for active employees. COBRA participants must be notified of conversion privileges at the end of the 18-, 29- or 36-month period, and they must be allowed to continue coverage on COBRA as long as they meet the eligibility requirements.

Payments

You must allow COBRA participants to pay their first premium within 45 days of the date they elect coverage, if coverage is elected within the 60-day election period. A grace period of not less than 30 days applies for the payment of all subsequent premiums.

Disability extension

A Qualified Beneficiary and other family members covered under the same continuation coverage must be allowed to extend the coverage period to 29 months from 18 months if:

1. The Social Security Administration determines that the Qualified Beneficiary was totally disabled under Title II or XVI of the Social Security Act prior to or within 60 days of COBRA coverage, and
2. The Qualified Beneficiary sends a copy of the determination notice to the administrator before the end of the initial 18-month period and within 60 days of the date of the determination notice.

CobraServSM

Your easiest COBRA solution

Ceridian makes complying with COBRA as easy as 1-2-3 — literally. CobraServ is the nation's largest COBRA administrator, performing COBRA services for tens of thousands of employers. You can trust our services to minimize your involvement in dealing with the complexities and uncertainties of COBRA. We will also minimize your costs by preventing claims by ineligible participants, and allow you to focus your attention on tasks more directly related to your core business.

How easy is it?

Ceridian offers a turn-key service that leads the industry in value and service.

First, CobraServ will take over your existing COBRA participant population and make sure that only eligible participants continue receiving COBRA benefits.

Then, on an on-going basis we will perform all future adjudication of eligibility, and perform future billing, collection and processing of other COBRA transactions.

Your role will be to perform the three simple functions outlined in your "Easy as 1-2-3" COBRA Implementation Kit.

Penalties for non-compliance

If you are not in full compliance with COBRA, you may be liable for an IRS excise tax of up to \$100 per employee or \$200 per family for each day of noncompliance, and ERISA penalties of up to \$110 per employee per day of noncompliance. Court awards may involve claims costs, attorneys' fees and other expenses.

Use the “Easy As 1-2-3” COBRA Implementation Kit in these three instances:

1. Initial COBRA notices (New Hire notices)

Ceridian makes it easy to notify active employees and dependents of their future COBRA rights that would apply if they were to experience a Qualifying Event. Our 1-2-3 Kit offers a proven method to initiate this notice whenever a new person is added to your group health plan. Crystal-clear instructions are a strong component of our service.

2. Qualifying Events

The 1-2-3 Kit describes the various COBRA Qualifying Events and offers a simple method for initiating required notices whenever a Qualifying Event occurs. Qualified Beneficiaries can elect over the phone, Web or paper, and we bill and collect from them on a monthly basis.

3. Reports

CobraServ sends Participant Update reports to you, which advise you of the need to add or remove individuals from your group health plan, based on their COBRA participation status. Simply advise your carrier as necessary according to the instructions on the report.

Your limited action in these three circumstances allows CobraServ to perform the great majority of your COBRA compliance administration for you — the most difficult, complex, time-consuming, uncomfortable and risky tasks.

Services we perform:

- COBRA elections come directly to CobraServ. We deal directly with your COBRA participants on all COBRA issues.
- CobraServ adjudicates eligibility consistently, fairly and accurately — precisely as the law dictates.
- Via a toll-free Participant Help Hotline, all questions from and dealings with your COBRA participants are handled directly by CobraServ.
- A toll-free Client Hotline gives you direct access to your CobraServ representative and any COBRA information you may need.
- CobraServ's 24-hour/seven-day automated information and faxback services provide up-to-date information to you and your continuants — with full Web access to account information for you, your COBRA participants and their covered dependents.
- CobraServ does monthly participant billings, sends grace letters as needed and collects COBRA premiums.
- You receive Participant Update reports on all COBRA activities.
- Premiums are remitted to you monthly, with itemized reports.
- Proof of compliance is retained in professional document archives for long-term reference.
- CobraServ assists you in meeting your COBRA compliance responsibilities, which may reduce liability exposure.

Cost savings

You will probably find that it costs you much less to have CobraServ perform your COBRA administration than it would to do it yourself in-house. Most clients experience a net savings of several times the cost of CobraServ's service!

**CobraServ has built the most advanced
COBRA administration system in the nation.
Put it to work for you!**