Experience Excellence

COBRA Manual

User Guide

COBRA Employer Manual

nbs national benefit services

COBRA Responsibilities and Deadlines

Under COBRA, specific notices must be provided to covered employees and their families explaining their COBRA rights.

When an Employee Enrolls in the Group Health Plan

Each employee and each spouse of an employee who becomes covered under the Employer Group Plan must receive a general notice describing COBRA rights. Among other things, the general notice explains what the qualified beneficiaries must do to notify the employer of qualifying events or disabilities.

Employer Responsibilities

Within **90 days** of an employee's effective date of benefit coverage, the employer is required to enter the employee information on the NBS COBRA website; http://nbsbenefits.com/my-account/cobra-account-online-access.

NBS Responsibilities

Within 14 days from the Employer posting a new enrollee on the website, NBS on behalf of the employer will send the COBRA general notice to the employee and beneficiaries regarding their COBRA rights should they experience a qualifying event.

When an Individual Loses Coverage from the Group Health Plan

Employer Responsibilities

The employer is required to notify NBS when an individual experiences a qualifying event that results in loss of coverage from the group health plan.

Within 30 days of a qualifying event the employer will enter the information for a Qualified Beneficiary (QB) – *an employee and/or dependents losing coverage*— on the NBS COBRA website and verify that it was recorded. A qualifying event is:

- Termination or reduction in hours of employment of the covered employee;
- Death of the covered employee;
- Divorce or legal separation; or
- A Child's loss of dependent status under the plan.

On a regular basis the employer should review the website to verify all terminated QB's have been entered on the site and review the status of elections and premium payments.

Each month the employer will receive COBRA reports that should be reviewed for accuracy upon receipt Communicate benefit changes to Insurance Carriers. The employer is responsible to communicate benefit changes to the insurance carriers.

1. Notify the insurance carrier(s) when an individual is no longer eligible for the group plan.
2. Notify the insurance carrier(s) to reinstate coverage when the Qualified Beneficiary elects COBRA and pays the premiums due. NBS will fax a copy of the COBRA election form to the employer.
3. Notify the insurance carrier(s) when the Qualified Beneficiary terminates COBRA. NBS provides monthly reports notifying the employer of the COBRA status of Qualified Beneficiaries.

NBS Responsibilities

Within **14 days** from the Employer posting a QB on the website, NBS on behalf of the employer will send the COBRA Election Notice to beneficiaries. This notice describes their rights to continuation coverage and how to make an election.

Qualified Beneficiary Responsibilities

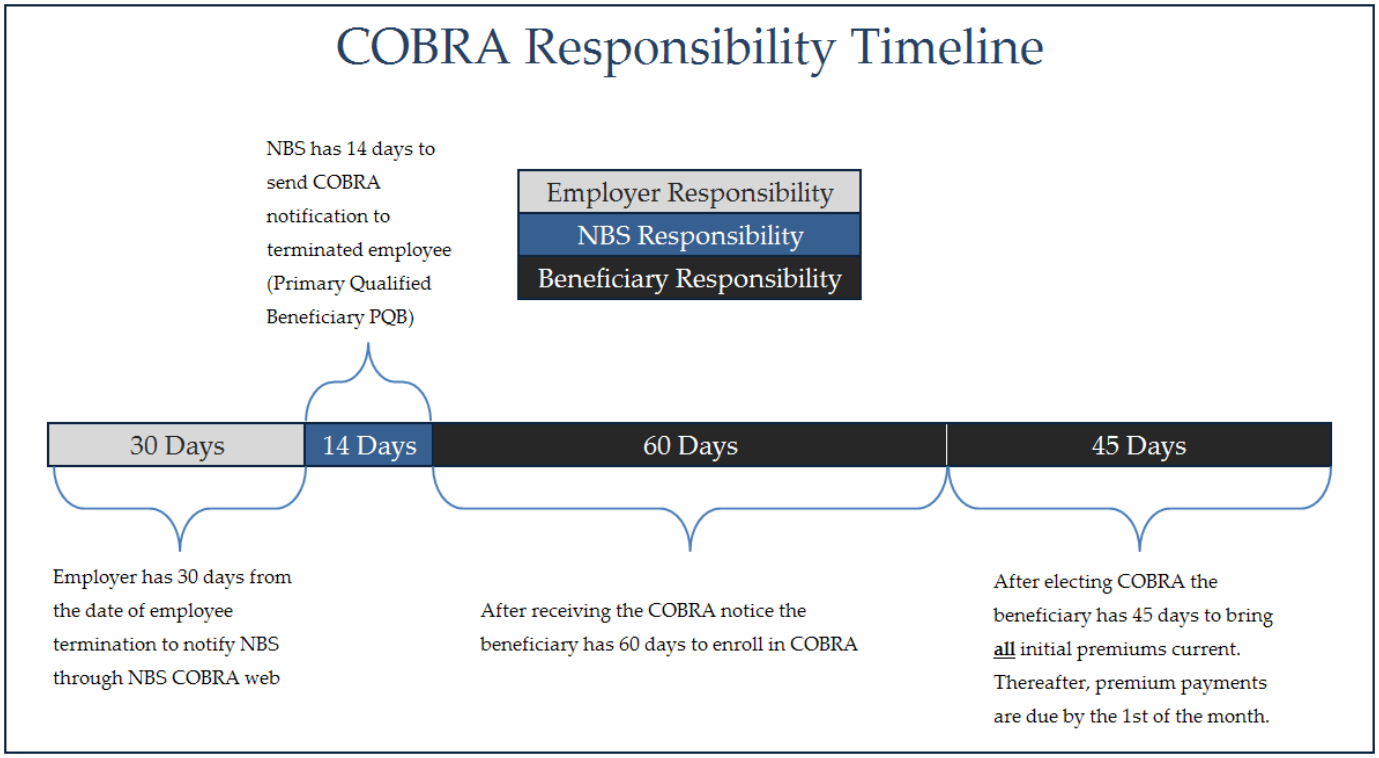
Within **60 days** from the date of the COBRA notice or the date of the loss of benefit coverage, whichever is the later; the QB must choose whether or not to elect COBRA. To elect COBRA, the QB must return their election form to NBS within the 60-day timeframe. Election requires that the beneficiary complete and submit the COBRA enrollment form.

Within **45 days** of their election, the beneficiary must bring all initial premiums current. (Initial payment must be received by NBS within 45 days). In order to reinstate lost coverage, NBS will need to receive at least the first initial premium payment with the 45 days. Future premiums are due on the first of each month thereafter, and should be mailed on or before the due date. A 30-day grace period is allowed. Failure to pay premiums by the end of the grace period may terminate beneficiary participation in the Health Benefits Continuation Plan.

If a QB waives continuation coverage during the election period, he or she is permitted to later revoke the waiver of coverage and elect continuation coverage, as long as the revocation is done before the end of the election period. If a waiver is later revoked, however, the plan is permitted to make continuation coverage begin on the date the waiver was revoked rather than the date coverage was actually lost.

COBRA Responsibility Timeline

Example of terminated employee



Upon receipt of the COBRA election form and premium payment by NBS, we will notify the employer to reinstate insurance coverage with the insurance carriers. NBS will send a copy of the election form to the employer. Most insurance carriers will accept this election form to reinstate coverage

Accessing the NBS COBRA Website

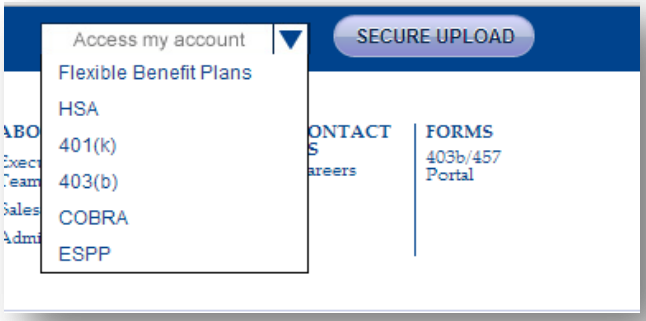
The National Benefit Services web site provides a secure Internet session for employers and employees to access their COBRA information by logging onto **www.nbsbenefits.com**.

As a Human Resource Administrator, you will have the ability to review employee benefit information, download and print documents, forms and reports.

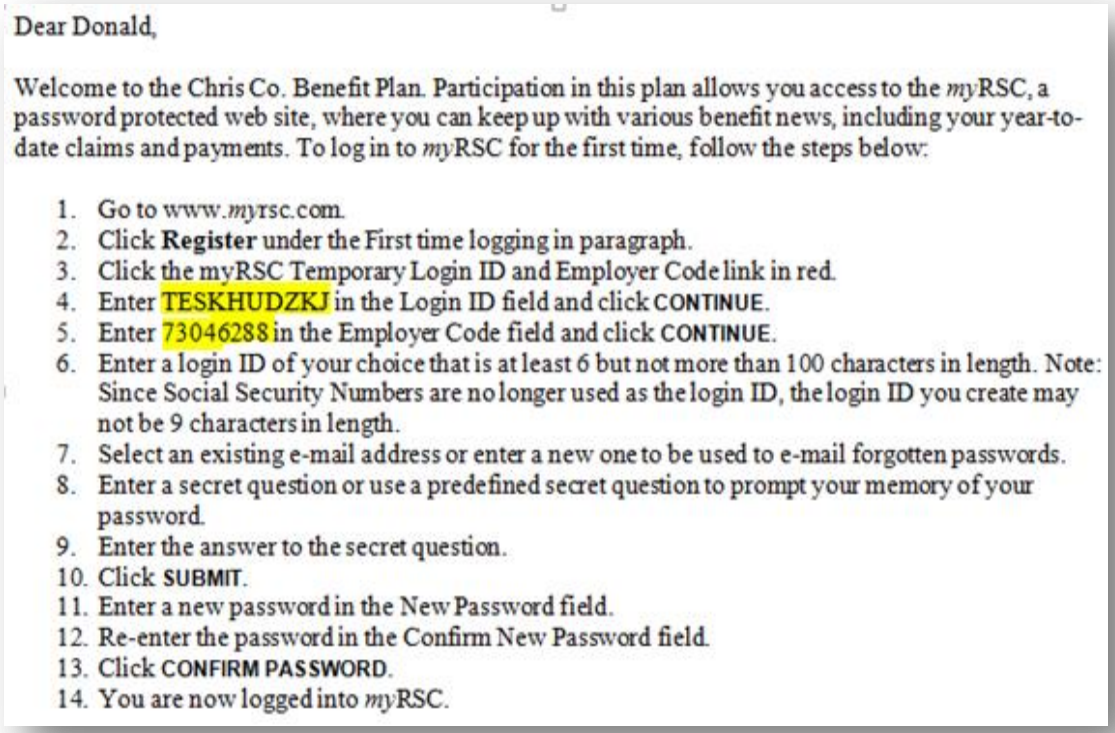
Initial Log-In Instructions

Below are the instructions for logging into the website.

1. Go to NBSbenefits.com and click the *Access my account* dropdown and select COBRA



2. If this is your first time logging into the website you should have received the login instruction from National Benefit Services providing a unique Temporary Login ID and Employer Code. The instructions look like this:

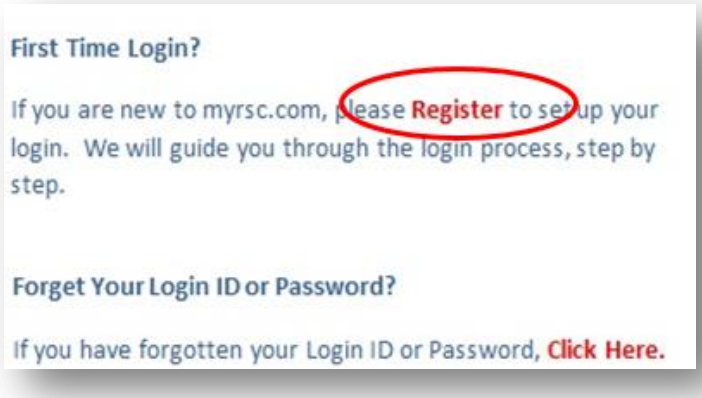


Dear Donald,

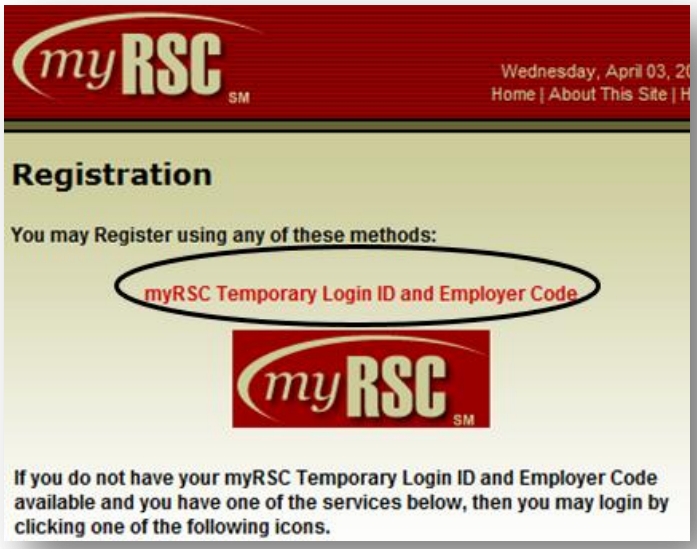
Welcome to the Chris Co. Benefit Plan. Participation in this plan allows you access to the *my*RSC, a password protected web site, where you can keep up with various benefit news, including your year-to-date claims and payments. To log in to *my*RSC for the first time, follow the steps below:

1. Go to www.*my*rsc.com.
2. Click **Register** under the First time logging in paragraph.
3. Click the myRSC Temporary Login ID and Employer Code link in red.
4. Enter TESKHUDZKJ in the Login ID field and click **CONTINUE**.
5. Enter 73046288 in the Employer Code field and click **CONTINUE**.
6. Enter a login ID of your choice that is at least 6 but not more than 100 characters in length. Note: Since Social Security Numbers are no longer used as the login ID, the login ID you create may not be 9 characters in length.
7. Select an existing e-mail address or enter a new one to be used to e-mail forgotten passwords.
8. Enter a secret question or use a predefined secret question to prompt your memory of your password.
9. Enter the answer to the secret question.
10. Click **SUBMIT**.
11. Enter a new password in the New Password field.
12. Re-enter the password in the Confirm New Password field.
13. Click **CONFIRM PASSWORD**.
14. You are now logged into *my*RSC.

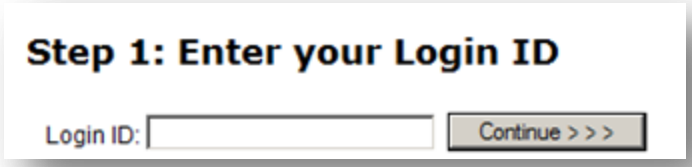
3. You will see a section to the right of the screen labeled *First Time Login*. Click *Register*.



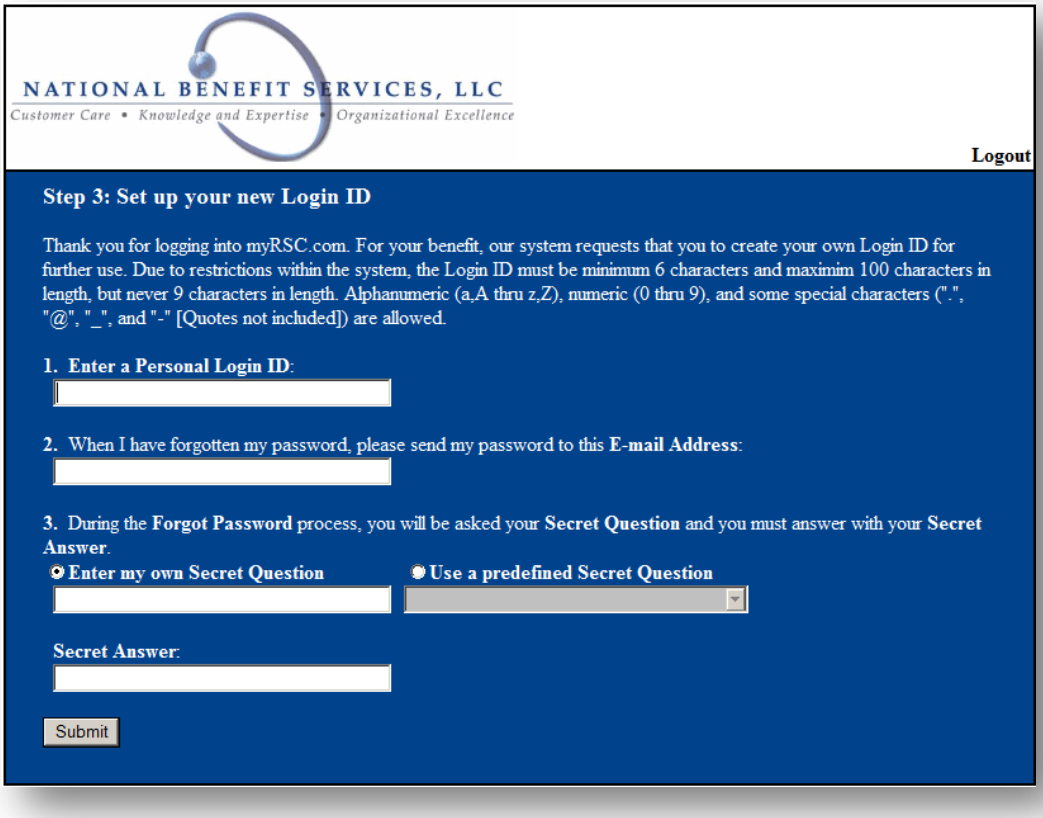
4. Click on *Temporary Login ID and Employer Code*



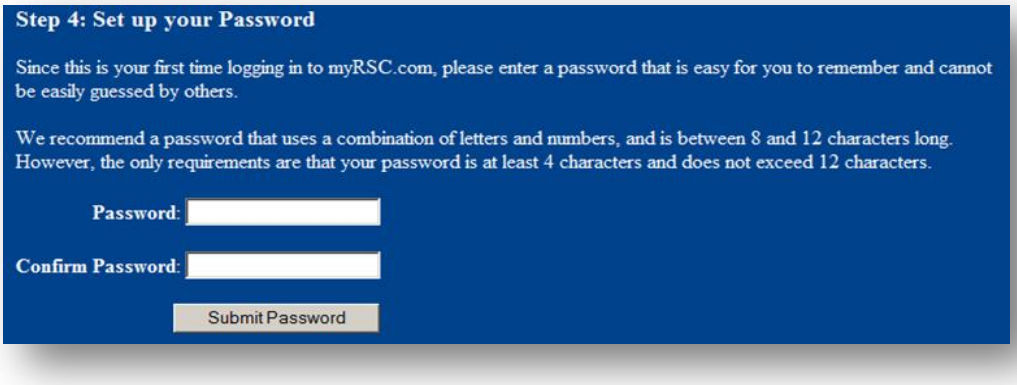
5. Enter your Temporary Login ID in the *Login ID* field and then click the *continue* button



6. Enter a personal login and security questions



7. Enter a password and confirm

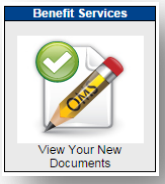


8. Once logged in you will be taken to the home screen. The Home Page is the default page displayed upon logging into the NBS web site. This page provides an introduction

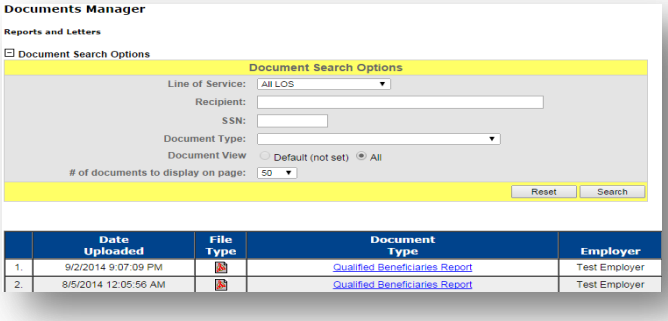
and links to additional resources such as documents, notes and employee benefit and reimbursement information

View Documents

1. Click on the VIEW YOUR NEW DOCUMENTS link in the top right corner of the home page



2. This will show all reports and notifications from the most recent to the oldest. It will also give you a search option above for Recipient, SSN, or document type



3. Click on the document you wish to view and make sure you take any action required.

Employers may have access to the following links:

- **Benefits -** The Benefits tab is open on the home page of the *nbsbenefits.com* login. It contains a number of links pertaining to benefits, reports, documents and more.
- **Contacts** - This tab, located at the top of the screen, provides a listing of the TPA and employer contacts available to provide information about your plan information.
- **COBRA -** This tab, located at the top of the screen, pro- vides information and links regarding Premium Billing services, such as COBRA, Retiree Billing, Direct Billing and State Continuation.
- **Reporting -** This tab, located at the top of the screen, provides information and links regarding Tax Form 5500 and MSP Reporting.
- **Change Role** - link allowing you to switch between HR Administrator Role and Employee role, if you have multiple roles assigned.
- **Change Password -** link allowing the you to enter a new password
- **Documents** - a link to forms and documents that are provided by the TPA or Employer for employee download and printing.
- **Fulfillment -** a link to the Fulfillment Manager tools, that allow for letters and documents to be sent to a Fulfillment house for mailing to participants.
- **Life Events** - a link to a page listing what changes in employment and personal status can result in a change in coverage.
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Definitions and Frequently Asked Questions (FAQ)

Definitions

- **American Recovery and Reinvestment Act of 2009 (ARRA)**: Temporarily reduces the premium for COBRA coverage for eligible individuals (AEI's).
- **Assistance Eligible Individual (AEI):**
    - Must be eligible for continuation coverage at any time during the period from September 1, 2008 through March 31, 2010, and elect the coverage;
    - Must have a continuation coverage election opportunity related to an involuntary termination of employment that occurred at some time from September 1, 2008 through March 31,2010; and
    - Must not be eligible for Medicare or coverage under any other group health plan, such as a plan sponsored by a successor employer or a spouse's employer.
- **COBRA:** Consolidated Omnibus Budget Reconciliation Act passed by Congress in 1986.
- **Qualified Beneficiary (QB):** Individuals entitled to COBRA continuation coverage are called qualified beneficiaries. Individuals who may be qualified beneficiaries are the spouse and dependent children of a covered employee and, in certain cases, the covered employee. Under current law, in order to be a qualified beneficiary an individual must generally be covered under a group health plan on the day before the event that caused a loss of coverage (such as a

termination of employment, or a divorce from or death of the covered employee**)**. HIPAA changes this requirement so that a child who is born to the covered employee, or who is placed for adoption with the covered employee, during a period of COBRA continuation coverage is also a qualified beneficiary.

- **Plan Administrator:** The plan administrator as defined by the IRS is the company, the employer or organization required to provide COBRA, or a person in the company named as the plan administrator. This can be an owner of the company or a specific person working for the company that is assigned as the plan administrator. NBS, by definition, is *not* the plan administrator.

FAQ

Q: Why was COBRA created?
A: Prior to the passage of health benefit provisions in the Consolidated Omnibus Budget Reconciliation Act (COBRA) in 1986, Employees were at risk of losing health coverage, and not being able to find alternate coverage after losing their job, changing employment or getting a divorce. Now, terminated employees or their families who may lose coverage because of termination of employment, death, divorce or other life events may be able to continue the coverage under the employer's group health plan for themselves and their families for limited periods of time.

Q: What is the Minimum Number of Employees Required for COBRA?
A: The law generally covers group health plans maintained by employers with 20 or more employees in the prior calendar 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. Provisions of COBRA covering state and local government plans are administered by the Department of Health and Human Services.

Q: How to Determine Minimum Number of Employees?
A: Group health plans for employers with 20 or more employees working more than 50 percent of its typical business days in the previous calendar year are subject to COBRA. Both full- and part-time employees are counted to determine whether a plan is subject to COBRA. Each part-time employee counts as a fraction of an employee, with the fraction equal to the number of hours that the part-time employee worked divided by the hours an employee must work to be considered full-time.

Q: What Initial and Other Notices are Required?
A: If you are eligible for COBRA coverage, your health plan must give employees a notice stating their right to choose to continue coverage under the plan. The employee will have at least 60 days to choose COBRA coverage or lose all rights to benefits. Once COBRA coverage is chosen, **the employee may be required to pay for the coverage.** Generally, an initial notice describing COBRA rights must be furnished to covered employees and their spouses at the time coverage under the plan commences. General COBRA rights must be described in the summary plan description (SPD) that all participants

receive. ERISA requires employers to furnish modified and updated SPDs containing certain plan information and summaries of material changes in plan requirements.

Other notice requirements
These notice requirements are triggered for employers and qualified beneficiaries when a qualifying event occurs. Employers must send notification within 30 days after an employee's death, termination, reduced hours of employment, or entitlement to Medicare.

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

The employer, upon receiving notice of a qualifying event, must provide an election notice to the qualified beneficiaries of their right to elect COBRA coverage. The notice must be provided in person or by first class mail within 14 days after the employer receives notice that a qualifying event has occurred.

Qualified beneficiaries who wish to take advantage of the 11-month disability extension must notify the employer of the disabled qualified beneficiary's Social Security disability determinations. A notice must be provided within 60 days of a disability determination and prior to expiration of the initial 18-month period of COBRA coverage. These beneficiaries also must notify the plan if the qualified beneficiary is determined by Social Security to be no longer disabled.

Q: What is Considered To Be a Group Health Plan?
A: Under COBRA, a group health plan is ordinarily defined as a plan that provides medical benefits 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 and available under the terms of the plan 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

™ **Life insurance, however, is <u>not</u> covered under COBRA**

Q: What is a Qualified Beneficiary?
A: A qualified beneficiary generally is an individual covered by a group health plan on the day before a qualifying event, who is an employee, the employee's spouse, or an employee's dependent child. In certain cases, a retired employee, the retired employee's spouse, and the retired employee's dependent children may be qualified beneficiaries. In addition, any child

born to or placed for adoption with covered employee during the period of COBRA coverage is considered a qualified beneficiary. Agents, independent contractors, and directors who participate in the group health plan may also be qualified beneficiaries.

Q: What are Qualifying Events?
A: "Qualifying events" are certain events that would cause an individual to lose health coverage. The type of qualifying event will determine who the qualified beneficiaries are and the amount of time that a plan must offer the health coverage to them under COBRA.

- EMPLOYEE qualifying events:
  - Voluntary or involuntary termination of employment for reasons other than "gross misconduct"
  - Reduction in the number of hours of employment

- SPOUSE qualifying events:
  - Voluntary or involuntary 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's becoming entitled to Medicare
  - Divorced or legal separation of the covered employee
  - Death of the covered employee

- DEPENDENT CHILDREN qualifying events are the same as for the spouse with one addition:
  - Loss of "dependent child" status under the plan rules

Q: What is an Election Period?
A: A qualified beneficiaries must be given an election period during which each qualified beneficiary may choose whether to elect COBRA coverage. Qualified beneficiaries must be given at least 60 days for the election. This period is measured from the later of the coverage loss date or the date the COBRA election notice is provided. COBRA coverage is retroactive if elected and paid for by the qualified beneficiary.

Each qualified beneficiary may independently elect COBRA coverage. A covered employee or the covered employee's spouse, however, may elect COBRA coverage on behalf of all other qualified beneficiaries. A parent or legal guardian may elect on behalf of a minor child.

If a qualified beneficiary waives COBRA coverage during the election period, he or she may revoke the waiver of coverage before the end of the election period. A beneficiary may then elect COBRA coverage.

Then, the plan need only provide continuation coverage beginning on the date the waiver is revoked.

Q: **What is the Duration of Coverage?**
A: COBRA establishes required periods of coverage for continuation health benefits. COBRA beneficiaries generally are eligible 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 will end at the end of the maximum period unless the waiver situation is invoked. (See question 8) It may end earlier if:

- Premiums are not paid on a timely basis.
- The employer ceases to maintain any group health plan.
- After the COBRA election, 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. However, if the other group health coverage is obtained prior to the COBRA election, COBRA coverage may not be discontinued, even if the other coverage continues after the COBRA election.
- After the COBRA election, a beneficiary becomes entitled to Medicare benefits. However, if Medicare is obtained prior to COBRA election, COBRA coverage may not be discontinued, even if the other coverage continues after the COBRA election.

Special rules for disabled individuals and certain family members 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 within the first 60 days of COBRA coverage, then that qualified beneficiary and all of the qualified beneficiaries in his or her family may be able to extend COBRA continuation coverage for up to an additional 11 months. However, qualified beneficiaries should be aware that they may lose all rights to the additional 11 months of coverage if notice of the determination is not provided within 60 days of the date of the determination and before the expiration of the 18-month COBRA continuation period. The qualified beneficiary who is disabled or any qualified beneficiaries in his or her family may notify the employer of the determination.

Although COBRA specifies certain 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 participants and beneficiaries to convert group health coverage to an individual policy. If this option is available from the plan, you have the right to exercise the option under COBRA when you

reach the end of your COBRA continuation coverage. The option must be given to enroll in a conversion health plan within 180 days before COBRA coverage ends. The premium for a conversion policy may be more expensive than the premium of a group plan, and the conversion policy may provide a lower level of coverage. The conversion option, however, is not available if the beneficiary ends COBRA coverage before reaching the end of the maximum period of COBRA coverage.

Q: **How Does Paying for COBRA Work?**
A: Beneficiaries may be required to pay for COBRA coverage. The premium cannot exceed 102 percent of the cost to the plan for similarly situated individuals who have not incurred a qualifying event, including both the portion paid by employees and any portion paid by the employer before the qualifying event, plus 2 percent for administrative costs.

For qualified beneficiaries receiving the 11 month disability extension of coverage, the premium for those additional months may be increased to 150 percent of the plan's total cost of coverage.

COBRA premiums may be increased if the costs to the plan increase but generally must be fixed in advance of each 12-month premium cycle. The plan must allow you to pay premiums on a monthly basis if you ask to do so, and the plan may allow you to make payments in advance at other intervals (for example, weekly or quarterly).

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. Payment is considered to be made on the date it is sent to the plan.

If premiums are not paid by the first day of the period of coverage, the plan has the option to cancel coverage until payment is received and then reinstate the coverage retroactively to the beginning of the period of coverage.

If the amount of the payment made to the plan is made in error but is not significantly less than the amount due, the plan is required to notify the PQB/employee of the deficiency and grant a reasonable period (for this purpose, 30 days is considered reasonable) to pay the difference. The plan 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 copayments and deductibles, and are subject to catastrophic and other benefit limits.

Q: **What are the Claim Procedures?**

A: Health plan rules must explain how to obtain benefits and must include written procedures for processing claims. Claims procedures must be described in the SPD.

The PQB/employee should submit a claim for benefits in accordance with the plan's rules for filing claims. If the claim is denied, they must be given notice of the denial in writing generally within 90 days after the claim is filed. The notice should state the reason for the denial, and any additional information needed to support the claim and procedures for appealing the denial.

The QB/employee will have at least 60 days to appeal a denial and must receive a decision on the appeal generally within 60 days after the employee's appeal.

Contact the employer for more information on filing a claim for benefits. Complete plan rules are available from employers or benefits offices. There can be charges up to 25 cents a page for copies of plan rules.

Q: **What are the Requirements for Coordination with Other Benefits?**
A: The Family and Medical Leave Act (FMLA), effective August 5, 1993, requires an employer to maintain coverage under a "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.