COBRA ADMINISTRATION MANUAL

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Purpose of the Manual

This manual provides an overview of the COBRA administration services performed by Benefit Extras, Inc. on behalf of employers. It outlines the key processes, responsibilities, and requirements associated with COBRA administration, including:

- Required notices and compliance-related communications
- Employer reporting and administrative responsibilities
- COBRA election, enrollment, and premium payment procedures
- Ongoing administration, reporting, and use of the COBRA Employer Portal

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Core COBRA Administration Process

Step 1: Newly Benefit-Eligible Employees / Initial Notices
When an employee (and/or spouse) first becomes covered under a group health plan subject to COBRA, Benefit Extras issues the required COBRA Initial Notice.

Timing Requirements
Initial notices must be furnished within **90 days of the individual's coverage effective date**.

Notices Provided
Based on information supplied by the employer, Benefit Extras will provide:

- COBRA General Notice
- HIPAA Special Enrollment Notice
- CHIPRA Notice

Employer Submission Methods
Employers may submit newly benefit-eligible employee information through:

- The COBRA Employer Portal
- Third-party file feeds
- Excel spreadsheet submissions

For additional details, see **"Newly Benefit-Eligible / Initial Notices Provided by Benefit Extras"** on the following page.

"Newly Benefit-Eligible / Initial Notices Provided by Benefit Extras"

- **COBRA General Notice**
  This notice is required when an employee and/or spouse first becomes covered under a group health plan subject to COBRA, such as medical, dental, or vision coverage. The notice must be furnished within 90 days of the individual's coverage effective date.

- **HIPAA Special Enrollment Notice***
  The responsibility for distributing this notice rests with the group health plan (employer), not the insurance carrier. The notice must be provided to both employees who enroll in coverage and eligible employees who decline coverage. Including the notice in a Summary Plan Description (SPD) or certificate of coverage does not satisfy this requirement, as those documents are generally not distributed to employees who waive coverage. Benefit Extras will distribute this notice based on information provided by the employer.

- **CHIPRA Notice***
  The responsibility for distributing the CHIPRA Notice also rests with the employer and not the insurance carrier. This notice must be provided as a separate document and cannot be included solely within an SPD or certificate of coverage. By including the CHIPRA Notice in the initial notice packet, the employer satisfies its obligation with respect to newly eligible employees. Benefit Extras will distribute this notice based on information provided by the employer. Please note that the employer remains responsible for the annual distribution of the CHIPRA Notice to all employees, or at a minimum, all employees residing in states that offer premium assistance programs.

  *For administrative efficiency, Benefit Extras combines the HIPAA Special Enrollment Notice and CHIPRA Notice into a single document.

When to Submit New Hire / Initial Notice Requests to Benefit Extras

Benefit Extras should be notified in the following situations to ensure required notices are issued timely and accurately:

- **Newly Benefit-Eligible Employees** – When an employee first becomes eligible for benefits **and/or** first enrolls in one or more COBRA-eligible group health plans.
- **Spouse Added to Coverage** – When an employee adds a spouse to a COBRA-eligible group health plan for the first time.
- **Dependent Child Added to Coverage** – **ONLY** recommended when the child resides at an address different from the employee's address. If the child lives with the employee, no notification is needed.
- **Life Insurance Elections or Changes** – Notification is **NOT** required when an employee enrolls in or changes life insurance coverage, as no initial notice requirement applies to life insurance benefits. However, if an employee elects only life insurance coverage, Benefit Extras will assume the employee has waived health coverage and will issue the combined HIPAA Special Enrollment/CHIPRA Notice.
- **Waivers Only** – If a newly benefit-eligible employee declines all COBRA-eligible group health plan coverage, Benefit Extras should still be notified so that the combined HIPAA Special Enrollment/CHIPRA Notice can be provided (unless provided internally by the Employer).

Step 2: Qualifying Event Occurs
To ensure compliance with federal COBRA requirements, it is important that Benefit Extras be notified as soon as possible whenever an employee or dependent experiences an event that results in a loss of eligibility under the employer's group health plan(s).

Timing Requirements
Under federal COBRA, employers must notify the COBRA administrator within **30 days** of the following qualifying events:

- Termination of employment (voluntary or involuntary, other than gross misconduct)
- Reduced Work Hours
- Employee's Death
- Divorce or Legal Separation
- Loss of Dependent Status
- Employee's Medicare Entitlement (rare qualifying event under federal COBRA)

Notices Provided
Based on information supplied by the employer, Benefit Extras will provide:

- COBRA Qualifying Event Notice
- COBRA Continuation Coverage Election Form
- Minnesota Life Continuation Coverage Notice *(if applicable)*
- Health FSA Plan Letter *(if applicable)*

Employer Submission Methods
Employers may report qualifying events through any of the following methods:

- The COBRA Employer Portal
- Third-party file feeds
- Excel spreadsheet submissions

Step 3: COBRA Election Notice
Qualified beneficiaries have **60 days** to elect COBRA continuation coverage. The 60-day election period begins on the later of:

- The date coverage is lost under the plan; or
- The postmark date of the COBRA Qualifying Event Notice.

Step 4: Election and Coverage Activation
COBRA continuation coverage becomes effective once all the following requirements have been met:

- The qualified beneficiary timely elects COBRA coverage.
- The required initial premium payment, including any retroactive premiums owed back to the date coverage was lost, is received within the applicable payment deadline.

Upon receipt of a valid election and required payment, Benefit Extras will notify the applicable insurance carrier(s) of reinstatement, unless alternative carrier notification arrangements have been established by the Employer.

Once these requirements are satisfied, coverage will be reinstated retroactively to the date coverage was lost, provided all COBRA deadlines have been met.

Step 5: COBRA Premium Payments
Benefit Extras offers two premium collection options:

Option 1: Employer Collection Account
Under this arrangement:

- COBRA participants submit premium payments payable to the Employer (but mailed to Benefit Extras).
- Payments are accepted by personal check or money order.
- Payments are mailed from Benefit Extras to the Employer for deposit on a weekly basis.
- The Employer retains the 2% COBRA administrative fee.

Option 2: Benefit Extras (TPA) Collection Account
Under this arrangement:

- COBRA participants submit premium payments payable to Benefit Extras.
- Payments may be made by check, ACH, or credit card.
- A 2% credit card processing fee applies to payments made by credit card.
- The Employer retains the 2% COBRA administrative fee.
- Benefit Extras will remit collected COBRA premiums to the Employer on a semi-monthly basis. To facilitate these reimbursements, the Employer must complete and return the **Authorization Agreement for Direct Deposit of COBRA Premium Reimbursements**.

Step 6: Ongoing COBRA Administration
Throughout the continuation coverage period, Benefit Extras will administer ongoing COBRA services, including:

- Issuing monthly premium payment coupons (unless the participant is enrolled in a recurring payment program).
- Tracking and processing COBRA premium payments.
- Maintaining participant records and COBRA administration files.
- Monitoring coverage eligibility and continuation periods.
- Providing regular reports and administrative updates to the Employer.

Step 7: Termination of COBRA
COBRA continuation coverage may terminate for any of the following reasons:

- Required premiums are not paid in a timely manner.
- The maximum COBRA continuation coverage period is exhausted.
- The participant becomes covered under another group health plan or becomes entitled to Medicare, when permitted under applicable COBRA rules.
- The Employer terminates all group health plan coverage.
- The participant voluntarily requests termination of COBRA coverage.

Upon termination of COBRA coverage, Benefit Extras will notify the applicable insurance carrier(s), unless alternative carrier notification arrangements have been established by the employer.

A **COBRA Termination Notice** will be sent to the participant explaining the reason for the termination and the effective date coverage ends.

COBRA Coverage Rules

Length of Coverage
COBRA continuation coverage is available for a limited period depending on the qualifying event:

- 18 months – Termination of employment or reduction in hours
- 36 months – Death of the employee, divorce or legal separation, Medicare entitlement, or a dependent child losing eligibility (aging out)

Extensions
Coverage may be extended under certain circumstances:

- **Disability Extension** – Up to an additional 11 months (for a total maximum of 29 months) when a qualified beneficiary is determined to be disabled under Social Security guidelines during the first 60 days of COBRA coverage (subject to additional criteria).
- **Second Qualifying Event** – Coverage may be extended up to a total maximum of 36 months if a second qualifying event occurs during an initial 18-month COBRA continuation period.
- **State Continuation Extensions** – Additional extension rights may apply under Minnesota state law or other applicable state continuation regulations.

Cost

- Qualified beneficiaries may be required to pay up to 102% of the total premium, which includes the 2% administrative fee.
- In cases involving a disability extension, the premium may increase to up to 150% of the total premium for the extended period.

Employer Responsibilities (Critical)

While COBRA administration may be outsourced, the Employer retains key compliance responsibilities, including:

- Promptly reporting all COBRA qualifying events to Benefit Extras.
- Terminating active coverage with the insurance carrier(s) effective as of the qualifying event or loss of coverage date.
- Providing complete and accurate employee and dependent data. Even when utilizing a third-party file feed, the Employer remains responsible for the accuracy and completeness of all submitted information.
- Reviewing monthly COBRA reports and reconciling them against insurance carrier billing statements to ensure accuracy of enrollment, termination, and premium activity.

Participant Responsibilities

COBRA continuation coverage participants are responsible for the following:

- Electing COBRA coverage within the **60-day election period**.
- Submitting the initial premium payment within **45 days** of the date COBRA is elected.
- Making monthly payments within the applicable due dates, including the **30-day grace period**.
- Notifying the Plan Administrator of qualifying events (e.g., divorce or disability).

Online System (My TPA Online!)

The Employer portal provides access to the following features:

- Enter initial notice events
- Enter COBRA qualifying events
- Run standard reports (e.g., payment status, terminations)
- Track COBRA participants
- Access monthly COBRA activity reports and rates
- Access funding reports detailing COBRA premium collections remitted to Employer via ACH

Reporting and Auditing

Monthly Employer review is strongly recommended to help ensure accurate COBRA administration:

- Verify that all qualifying events have been properly submitted and processed.
- Reconcile COBRA reports with insurance carrier billing statements.
- Confirm accuracy of:
    - Active COBRA participants
    - Payments received
    - Terminations processed

📌 **Important:** Any discrepancies or errors should be reported immediately, as retroactive corrections may be limited.

Bottom Line

- COBRA administration is complex and carries significant compliance responsibility.
- Benefit Extras manages the operational aspects of COBRA administration; however, **employers retain key legal and compliance obligations.**
- The COBRA process is built around a continuous cycle of **timely notification → election → payment → ongoing tracking → proper termination**.

Review of COBRA Procedures & Month-End Reports

IMPORTANT: To ensure efficient COBRA administration, Benefit Extras must receive complete and accurate information promptly. Your careful review of all submitted forms and correspondence is essential and greatly appreciated.

It is recommended that you regularly audit your monthly COBRA activity reports against the billing statements you receive from your insurance carriers. This helps confirm accurate enrollment and termination of COBRA participants. Most carriers only issue premium credits for the current and previous month, so any discrepancies must be reported to our office immediately. Benefit Extras cannot be held responsible for delays or inaction by the employer or the insurance carrier.

- **Monthly COBRA Reports** (reflecting the previous month's COBRA activity) are available on the portal by the **second business day of each month**.
- **Track all Initial Notice requests and COBRA Qualifying Events** throughout the month and verify them against the **COBRA General Notice Report** and **COBRA Qualifier Eligibility Report**. If someone is missing from the report, contact our office right away. Forms submitted during the last week of the month may not appear until the following month.
- **Employer responsibility for terminating coverage**: Effective July 1, 2019, Benefit Extras no longer terminates coverage with carriers during the qualifier's 60-day election period. Employers must notify carriers directly at the time of the qualifying event.
- **Review your group's insurance information** periodically. COBRA premiums are based on active employee rates plus a small administration fee (when applicable). To avoid billing errors, ensure the carriers and rates listed in the **Group Information** section match your current in-force plans. Report any discrepancies immediately.
- **Verify reinstated COBRA coverage** after a participant submits their COBRA Election Form and initial premium. Unless instructed otherwise, Benefit Extras reinstates coverage with the carrier. These individuals appear on the **COBRA Tracking Report**. Compare this list with your carrier billing statements to confirm enrollment.
- **Monitor COBRA premium payments** using the **Paid Through Date** and **Past Due Report**. COBRA participants pay the full cost of continuation coverage.
    - Under **Premium Option #1**, payments are forwarded to the employer weekly.
    - Under **Premium Option #2**, payments are remitted via ACH semi-monthly. Verify that the premiums collected match the amounts billed by your carrier (minus the 2% administration fee, if applicable). Report discrepancies immediately.

Review COBRA terminations for reasons such as nonpayment, voluntary termination, or exhaustion of the continuation period. Unless instructed otherwise, Benefit Extras notifies the carrier when COBRA coverage ends. Terminated individuals appear on the **COBRA Termination Report**. Review your carrier billing statements to ensure you are no longer being billed and that any retroactive credits have been applied. Report discrepancies immediately.