



Planned
Benefit
Systems

COBRA Employer Administration Manual

Planned Benefit Systems, Inc.
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Table of Contents

New Client Set-Up Checklist	3
Master Reference Sheet	4
COBRA Process Flowchart	5
Information Needed by PBS	6
PBS COBRA Website	7
Monthly Reports	8
General COBRA Information	9
Who Must Notify Whom of What	11
The Election Period	11
Employer Obligations	12
COBRA Enrollment Procedures	12
Participant Obligations	13
COBRA Premium Payments	14
Open Enrollment	15



New Client Set-Up Checklist

Welcome to Planned Benefit Systems, Inc.!
To ensure your group's set-up process with PBS will proceed as smoothly as possible, we've prepared the following check list for you to follow.

- _____ Complete and return the **Employer Information Sheet** to PBS. This important form includes Medical, Dental and Vision plan eligibility contact and rate information we need to get your group set up in our system.
- _____ Review, complete and return the **Administrative Services Agreement** to PBS. A copy of the signed agreement will be returned to you by your Account Manager.
- _____ Compile information regarding **existing COBRA participants**. Confirm the effective date for the PBS administration takeover. Your PBS Account Manager can supply you with an Excel template to make this easier. Complete and email the spreadsheet back to PBS us so we can enter these participants into our system. Each existing participant will receive a welcome letter and set of payment coupons from us.
- _____ Send a **letter to your existing COBRA participants** (pending and enrolled) letting them know that PBS will be their new plan administrator and the effective date. Our address for future payments should also be included. (We can provide a sample letter for you to model yours after if you wish.)
- _____ Contact your Account Manager to set up a time to learn about using the **PBS website** to enter COBRA qualifying event information.

Be sure to call your Account Manager if you have any questions.
We will also be in contact with you to complete these items and the overall transition.
Thank you and welcome to PBS!



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Master Reference Sheet

<p><u>PBS Phone/Fax:</u> Local 303-221-2783 Toll Free 800-800-0133 Fax 303-221-2785</p>	<p><u>Address:</u> Planned Benefit Systems, Inc. P.O. Box 4594 Greenwood Village, CO 80155-4594</p>
<p><u>Hours of Operation:</u> Monday – Friday 8:00 am – 4:30 pm Excluding holidays</p>	<p><u>Website:</u> .cci-pbs for PBS general information and to access website Use the website to enter General Notice and Qualifying Event notices. Also to check eligibility dates, benefits and paid through dates.</p>
<p><u>Cobra Help</u> Have a general question or question regarding a participant? You can send us an email at _.cci-pbs and we will respond to you.</p>	

My Account Manager:

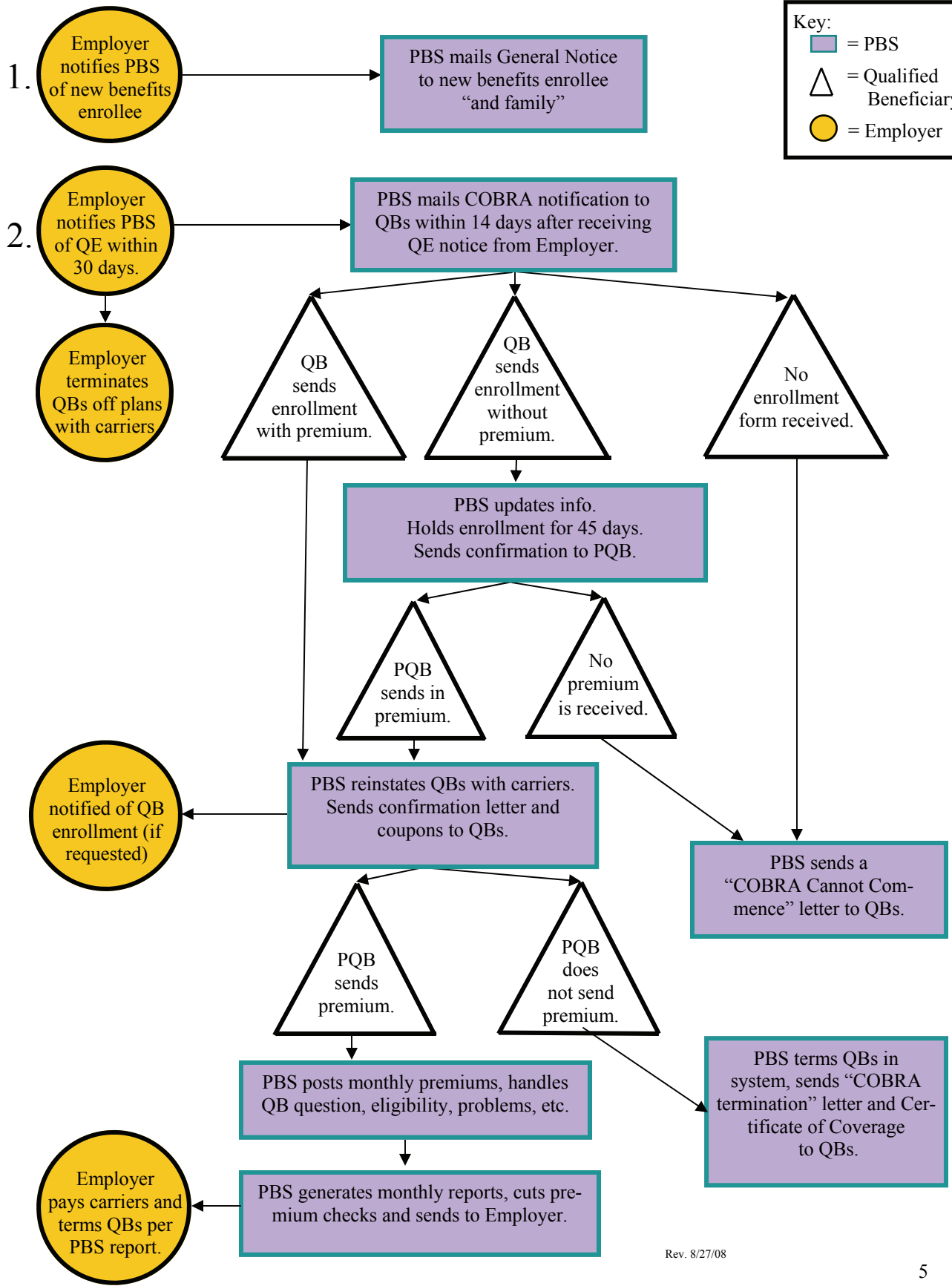
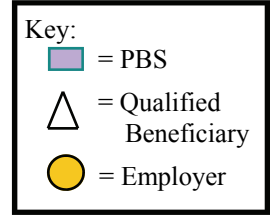
Name: _____

Phone: 303-221-2783 Ext. _____
800-800-0133 Ext. _____

Email: _____@cci-pbs.com

COBRA PROCESS FLOWCHART

Start here:





Information Needed by PBS:

	Via Website	Via Spreadsheet/File
COBRA Participant Takeover Information		X
General Notice Information (DOL) (If you have contracted for this service)	X	X
Qualified Event Information (QE)	X	X
Rate Information (First Time or Renewals)		X
<i>Please send 6 weeks prior to effective date.</i>		



Benefits of Using the PBS COBRA Website

Planned Benefit Systems, Inc. is excited to offer an electronic COBRA website you may access through our homepage at .cci-pbs. Check out the benefits of processing online!

- **User Friendly** PBS will train you to use the COBRA website to enter New Employee and Qualified Event information and provide a user's manual. You'll find the step-by-step process is easy to learn and entering information is quick.
- **Greater Accuracy** When Employers enter New Employee and/or Qualified Beneficiary information directly into our system errors are reduced as the information is no longer passed through multiple channels.
- **Quicker Turn-Around Time** Using the website reduces the notification process to a one to two day process. You avoid phone calls from former employees regarding their COBRA materials and they receive their packets quicker.
- **Access to Information 24/7** You may access employee status, benefits, dependents, payment history, notification dates, coverage end dates, etc. at any time without speaking to PBS.
- **Paperless Process Eliminates Faxing or Mailing**

We are confident that you will find using the COBRA Website convenient and user friendly. Of course, feel free to contact your COBRA Account Manager at 1-800-800-0133 with any issues.



Monthly Reports

Planned Benefit Systems, Inc. will send monthly reports of all COBRA activity on each group. The mailing will include the following:

1. INITIAL NOTIFICATION LETTERS ISSUED

This report reflects all people notified by PBS of their rights under COBRA over the last calendar month.

- **What you need to do: This report should be reviewed by the employer each month to ensure that PBS has notified all participants requested by your company.**

2. NOTIFICATION LETTERS ISSUED REPORT*

This report reflects all people notified by PBS over the last calendar month of their rights under COBRA because they have experienced a Qualifying Event.

- **What you need to do: This report should be reviewed by the employer each month to ensure that PBS has notified all participants requested by your company.**

3. TERMINATION REPORT*

This report reflects all participants who have been terminated COBRA coverage or whose 60 day window to elect COBRA has expired.

- **What you need to do: The Employer (you) are responsible for terminating these people off of their designated plans with the carriers.**

4. PREMIUM RECONCILIATION REPORT*

This report reflects all net premiums collected for the given month. It lists each participant who has made a premium payment, the benefit they paid for, the amount paid and the month to which the payment has been credited. The total amount collected is indicated and a premium check for the total amount owed from PBS to the Employer is attached.

- **What you need to do: Compare this report to your carrier invoices and make appropriate premium payments to the carriers.**

Planned Benefit Systems has the systems capability to generate many other types of reports. We would be happy to provide any of them at your request.

** Sample reports follow this page*

Employee Name	ID	Date	Benefit	Members
---------------	----	------	---------	---------

Send Initial Notification

SAMPLE, JOE	000-10-0001	07/24/2008	Medical	JOE SAMPLE
			Dental	JOE SAMPLE
			FSA	JOE SAMPLE
			MEDICAL	JOE SAMPLE
Sample, Six	000-00-0052	07/24/2008		Six Sample
Sample, Ten	000-00-0023	07/24/2008		Ten Sample
Sixteen, Sample	777-77-7777	07/24/2008		Sample Sixteen
Employee Total	4		Benefits Total	7

Send COBRA Election Form

Five, Sample	000-00-0001	07/24/2008	Dental	Sample Five, Sample Fourteen
Four, Sample	666-66-6666	07/24/2008	Dental	Sample Four
			MEDICAL	Sample Four
Three, Sample	000-11-2222	07/24/2008	Dental	Sample Three
Two, Sample	999-99-9998	07/24/2008	MEDICAL	Sample Two
Employee Total	4		Benefits Total	5

Participant Name	SSN	Employee Name	Benefit	Tier	Termination Reason	Termination Date	Termed On
Eleven, Sample	989-98-9898	Eleven, Sample	MEDICAL PLAN	Employee Only	End of COBRA	07/01/2008	07/24/2008
Nine, Sample	777-88-6666	Seven, Sample	MEDICAL PLAN	Employee Only	Voluntarily	08/01/2008	07/24/2008
Sample III, JOE	222-33-4444	Sample III, JOE	DENTAL PLAN	Employee + Spouse	Voluntarily	07/01/2008	07/24/2008
Sample, JANE		Sample, BILL	MEDICAL PLAN	Employee + Family	Failure to Make Timely Payment	07/01/2008	07/24/2008

TEST GROUP

000024764

\$ 1541.00

08/21/2008

Participant	ID	Benefit	Month	Amount
JOE Sample III	222-33-4444	MEDICAL PLAN - 2008 RATES	July 2008	350.00
Sample Eight	000-00-0000	DENTAL PLAN	July 2008	91.00
Sample Eight	000-00-0000	MEDICAL PLAN - 2008 RATES	July 2008	550.00
BILL Sample	000-00-0123	MEDICAL PLAN - 2008 RATES	July 2008	550.00

Check Total: \$ 1541.00

PLANNED BENEFIT SYSTEMS, INC.
ATTN: COBRA COMPLIANCE DEPARTMENT
P.O. BOX 4594
GREENWOOD VILLAGE, CO 80155-4594

COMMERCE BANK

107002846

000024764

PAY One Thousand Five Hundred Forty One Dollars and 00/100

DATE
07/31/2008

AMOUNT
\$*****1,541.00

TO THE TEST GROUP
ORDER 0000
OF ANYWHERE, CO 00000

VOID AFTER 90 DAYS

⑈0000 24 764⑈ ⑆10700 2846⑆ 074641⑈



General COBRA Information

Who must comply with COBRA?

All employers who employ 20 or more employees on the “typical” business day, and have done so on average for the last 12 calendar months, are subject to the COBRA provisions. This includes corporations, partnerships, tax-exempt organizations and state and local governments.

The Code’s COBRA provisions apply to all group health plans, except governmental plans, certain church plans, and small employer plans (under 20 employees). Health and Welfare plans, group insurance plans (indemnity, PPO’s and HMO’s), dental plans and visions plans are, under almost all cases, subject to COBRA. Also, Flexible Spending Accounts under Section 125 Cafeteria Plans are subject to COBRA because they “reimburse” the employee for medical expenses and thus become a medical plan by definition.

Plans that may be excluded from COBRA

Life insurance or other death benefits are not considered medical benefits and are not subject to COBRA. In addition, short and long term disability insurance are not considered subject to COBRA provided the insurance constitutes income replacement.

Who is COBRA eligible?

An individual eligible for COBRA is known as a Qualifying Beneficiary (QB). A QB is an individual who was covered under the plan on the day before the coverage is lost. QB’s will include the employee, spouse and dependent children. Each QB must be given the opportunity to continue coverage under the plan (under COBRA).

For example, a terminating employee covering his/her family under the group plan on the day coverage is lost may elect to continue coverage for the entire family, himself only, his spouse only, his dependent child(ren), or any combination thereof. Accordingly, a spouse who will lose coverage may choose to elect coverage even if the terminating employee elects to waive coverage for him/her self.

Events that trigger COBRA offering

Events that trigger the offering of COBRA are known as Qualifying Events (QE). Depending on the type of QE, COBRA continuation may extend 18 or 36 months.

The following events trigger COBRA continuation for up to 18 months:

- Termination (voluntary or involuntary; may include “gross misconduct”)
- Retirement
- Reduction in hours worked (which results in a loss of coverage)

The events listed below trigger COBRA continuation of up to 36 months:

- Divorce or Legal Separation
- Death of employee
- Dependent ceasing to be a dependent as defined by the group plan
- Entitlement to Medicare
- Chapter 11 Bankruptcy

The event must result in the QB losing coverage for it to be deemed a Qualifying Event. For instance, an employee who goes from full time to part time status, but remains covered under the plan as a part time employee, does not incur a Qualifying Event (reduction in hours) as he/she has not lost coverage.

Required COBRA Notices

There are two types of NOTICES that must be provided -- the initial notice and the notice upon the occurrence of a qualifying event.

- **The General Notice**
- **The Qualifying Event Notice**

General Notice

The General Notice, often overlooked, must be given to an employee (and spouse) when first covered under the group plan. The initial notice must be in written form. **Planned Benefit Systems, Inc. will distribute this material to its client's participants only if the optional service is elected.**

COBRA provides that the "Group Health Plan" is responsible for providing the initial notice of COBRA rights. However, the statute does not elaborate on who is responsible for a failure to provide this notice. Addressing this issue, the courts have decided the duty of initial notification falls on "the parties to a plan" which included the employer, insurer and trustee.

The Qualifying Event Notice

COBRA provides that the plan administrator must give written notice of COBRA rights a second time - at the time a qualifying event occurs. The notice upon occurrence of a qualifying event must be given within 14 days of the qualifying event.

The Department of Labor takes the position that the plan administrator (employer) is responsible for providing the second notice, and liable for failure to do so, even in the event the Plan Administrator delegates the responsibility to another person or entity.

There are other items that must be provided to a Qualified Beneficiary or COBRA participant. These items are as follows:

- **HIPAA Certificate of Creditable Coverage** - effective June 1, 1997 at time coverage is lost. This is provided by PBS in the Qualifying Event notice and in the termination letter.
- **Conversion Notice** - must be given within last 180 days of COBRA coverage. This is provided by PBS at 90 days prior to the end of a participants COBRA period.
- **Termination Notice** – must be provided upon termination of COBRA.
- **Open Enrollment Materials** - must be given at open enrollment periods if active employees have opportunities to change carriers, coverage's etc.

WHO MUST NOTIFY WHOM OF WHAT

Employer's Notice to Plan Administrator

A qualifying event triggers several obligations. If an employer uses the services of a third party administrator or TPA (i.e. Planned Benefit Systems, Inc.), the employer has 30 days to notify the TPA of a qualifying event. The TPA in turn has 14 days to notify beneficiaries of their rights under COBRA. While COBRA does not state that the notice given to the TPA be written, it is highly recommended (burden of proof on employer).

Employers that do not use a TPA must provide written notice to a Qualified Beneficiary within 14 days of the qualifying event.

Employee/Qualified Beneficiary Notice to Employer

While much of the COBRA burden falls on the employer, COBRA does allocate some responsibilities to a covered employee or Qualified Beneficiary. Employees & Qualified Beneficiaries must notify the Plan Administrator, within 60 days, of the following events:

- A Divorce
- A Legal Separation
- A Dependent Ceasing to be a Dependent
- A change of address

COBRA does not require the above notice be written. A Federal District Court held that the QB satisfied their obligation by giving oral notice to the Plan Administrator.

THE ELECTION PERIOD

Timely COBRA Elections

A group plan can require that Qualified Beneficiaries make a timely election of COBRA coverage. An election is considered timely if it is made within the election period (60 days). The election period must not end before 60 days from the later of: the date coverage is lost due to the Qualifying Event, or; the date that the Qualified Beneficiary is sent notice of the right to elect COBRA coverage.

The 60 day election period is the statutory minimum period allowed. Thus, plans may offer a longer election period. However, before extending the election period beyond the statutory minimum, an employer should seek approval from their insurance carrier(s) to extend the period.

In the event an employer fails to notify PBS of a qualifying event within the stipulated time frames, it is still better to send a "late" Qualifying Event Notice rather than no notice at all.

Right to Wait

COBRA's intent is to provide individuals with the right to coverage when they incur circumstances that cause them to lose coverage otherwise. Accordingly, Qualifying Beneficiaries are afforded a 60 day election period (their Right to Wait). While an employer is prohibited from enforcing a shorter election period than provided by the statutes, the employer is permitted to hold or pend claims incurred by the Qualifying Beneficiary during the election period. Claims pended during the election period must ultimately be paid provided the Qualifying

Beneficiary elects COBRA coverage in a timely manner and also make the initial premium payment in a timely manner.

EMPLOYER OBLIGATIONS

Billing and Eligibility Set-up with insurance carriers

In order to better facilitate the process of COBRA administration, a good line of communication between the administrator and the insurance company is essential. We ask the employer to aid PBS to this end by providing us with the names and telephone numbers of all billing and enrollment specialists at their respective insurance carriers. This information is to be provided on the Employer Application.

Severance Agreements

Severance agreements entered into between the employer and the QB should be handled the same as with any other COBRA situation with the exception of payments. In the event of a severance agreement, the CNF should be filled out exactly the same as with any other situation. Please note that the Qualifying Event date will still be the actual date that the QE occurred (i.e. date of termination). It is also recommended that the employer terminate the participant off their active bill just as they would with any other qualifying event. PBS will notify the participant in the same manner so that an enrollment form will still have to be filled out by the QB in order for COBRA to start.

However, if an employer specifies through a severance agreement that COBRA premiums will be paid by the company, the actual dates and duration of the agreement must be communicated to Planned Benefit Systems, Inc. in writing. A copy of the actual severance agreement would suffice. Once the participant elects COBRA, PBS will bill the employer directly for the months agreed upon in the severance agreement and be responsible for submitting the enrollment form to the insurance company to reinstate the participant back onto the group health plan.

Mid-year Premium Increases

Once a Qualifying Beneficiary elects COBRA coverage, he or she can be required to pay premium increase under certain circumstances. In the event a new determination period starts, and the applicable premium increases, the new rate can be charged to the Qualifying Beneficiary. **It is the responsibility of the employer to communicate any rate changes to Planned Benefit Systems, Inc.** This will allow PBS to generate new coupons for all affected COBRA participants. These rates should be communicated at least 30 days prior to the change.

Plan Changes

If an employer decides to change insurance carriers at any time, this must be communicated immediately to Planned Benefit Systems, Inc. It is also the responsibility of the employer to send open enrollment information to all eligible COBRA participants in the event of a plan change or the introduction of a new plan sponsor.

COBRA ENROLLMENT PROCEDURES

After a qualifying event occurs, a completed Cobra Notification Form (CNF) should be completed and sent directly to PBS. Instructions for completing the COBRA Notification Form are listed on the reverse side of each CNF. PBS also makes available on-line entry of COBRA events via our website. Please contact PBS to obtain your code and password should you want to use this option.

Please be sure to include all information asked for on the CNF. Each line of information has a particular importance with relation to compliance to both COBRA and HIPAA regulations. If there are minor omissions or errors on a notification form sent to PBS, our processor will call to obtain the correct information. However, PBS does reserve the right to send back notifications not completed in their entirety. This will obviously delay the process of notification to the qualified beneficiary.

Participants Enrollment onto COBRA

Once a notification is sent to the qualified beneficiary they may elect to continue COBRA. If they elect, an enrollment form will be sent back to Planned Benefit Systems. If a full payment is remitted along with the enrollment form, PBS will forward those enrollment forms to the employer. The employer must "re-enroll" the electing participant in the benefit plan(s) elected by forwarding the election form (or a change form if required by your insurance provider) to the insurance company.

Due to the fact that enrollment forms are not sent immediately, there can be interruptions in coverage. Also, if a participant sends only their enrollment form and no payment, interruptions may occur. If an account is not paid to current status but the participant is within their grace period, they can pay for services or prescriptions and then submit a claim form to the insurance carrier for reimbursement.

Timing of Payments to Employers

Planned Benefit Systems will accept premiums received in our office up to the last business day of each month. Premiums collected and the Premium Reconciliation Reports are sent to the employer on the 1st of each month (for premiums collected the previous month).

We recommend that the employer pay all COBRA participant premiums to the insurance providers and take a retroactive credit if the participant does not make payment. For example, if the employer is paying July premium on or about July 31st the COBRA premiums for the month of July will not be received from Planned Benefit Systems until early August. Thus, to avoid service interruptions and eligibility problems, it is suggested the employer pay the July premiums and take a credit for any participants who did not pay for July on the August bill.

It should be noted that our coupons correspondence to the participants asks that payments be received by the 1st of the month to avoid service interruptions. However, due to the 30 day mandatory grace period extended by the Internal Revenue Service, many participants send payments late in the month that they are due. Due to this fact, PBS cannot guarantee that services will not be interrupted due to tardy payments.

These stipulations and a condensed version of the information listed in this manual are provided to all qualified beneficiaries in the "Qualifying Event Notice."

PARTICIPANT OBLIGATIONS

Once an eligible participant has ended their employment or has incurred one of the qualifying events, we ask that all inquiries relating to COBRA be referred directly to Planned Benefit Systems, Inc.

If a qualified beneficiary decides to enroll under COBRA, they will be responsible for forwarding all correspondence and payments directly to PBS. This would also include any changes of address and/or additions of newborn children.

Note: It is the responsibility of the COBRA participant to notify both the insurance carrier and PBS directly of their addition of any newborn child.

COBRA PREMIUM PAYMENTS

Calculating the COBRA premium

COBRA does not require employers to pay for continuation coverage. Employers are permitted to charge employees 100% of the cost of the group health plan plus an additional 2 % (for a total premium of 102%). PBS does charge the additional 2% fee and retains it for administrative costs.

In the event that a COBRA participant qualifies for a disability extension (additional 11 months), the IRS allows for the insurance carrier to charge a maximum of 150% of the premium during the 11 months of the extension. PBS will default to charging the 150% unless otherwise directed by the employers' insurance contract.

Grace Period for Late Premium Payments

There are two grace periods for COBRA premium payments. The first relates to the initial premium payment which must be made within 45 days of the date of COBRA election. The second grace period applies to monthly payment of premiums. The employer or plan administrator must give a 30 day grace period from the monthly due date. There is no specific guidance as to how to apply the grace period. Thus, it is suggested employers follow other COBRA guidance as to when items are considered to "sent" or "made" and use the postmark date for determining whether a premium payment has been made in a timely fashion. **Planned Benefit Systems, Inc. will automatically terminate any participant whose payment is postmarked after 30 days of the due date.**

Effect of Nonpayment of Premium

A COBRA continuee who fails to make payment by the last day of the grace period will cause COBRA coverage to be terminated retroactively to the first day of the period for which premiums were due. For example, if a COBRA payment due on June 1st is not received (postmarked) by June 30th (end of the 30 day grace period), then COBRA coverage may be terminated retroactively to June 1st.

It is recommended that employers and plan administrators clearly indicate that a failure to pay premiums in a timely manner will result in a loss of coverage retroactive to the date through which premiums were last paid.

Who May Make Premium Payments?

There are no statutory or regulatory guidelines under COBRA that indicate who may or may not pay COBRA premiums. Accordingly, employers and plan administrators should be prepared to accept premium payments from a third party. Plan documents and COBRA notices should contain specific language as to the information that should accompany a premium payment if the payment is being made by a third party. For instance, the name and social security number of the COBRA continuee should be on the check stub of a third party payer.

OPEN ENROLLMENT

COBRA Regulations

If an Open Enrollment is offered to active employees, the same must be offered to each QB receiving COBRA continuation coverage. OE is the period of time in which a participant may:

- Switch from one group health plan to another.
- Switch to another benefit package within the same plan.
- Add or eliminate coverage of family members.

Employer Action

Benefit plan changes and new rates should be submitted to PBS upon receipt of this information from the carriers. PBS should also be informed of the new eligibility representative, as well as the deadline for submitting OE election forms to the carrier.

PBS offers a choice of two services: *standard or optional*. The standard service is included in the Administrative Services Agreement. If the employer chooses the optional service, PBS will assist with full OE distribution for an additional cost.

Service Types:

Standard Service

- PBS will provide mailing labels for active COBRA participants to employer.
- Employer sends out all OE materials to COBRA participants.
- Employer advises PBS and the carrier of OE elections.
- PBS sends rate change notice with new payment coupons to participants.

Optional Service*

- PBS will mail OE packets to each COBRA participant.
 - New plan rates
 - Election forms
 - Benefit summary (if provided to PBS by the employer)
- PBS will collect election forms from participants and notify carriers of changes.
- PBS sends rate change notice with new payment coupons to participants.

** Additional charges apply for this optional service. Please contact your PBS Account Manager for details.*