



Planned
Benefit
Systems

A WageWorks Company

COBRA Employer Administration Manual

Planned Benefit Systems, Inc.
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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 Application** 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!



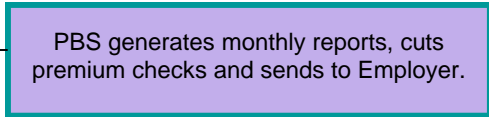
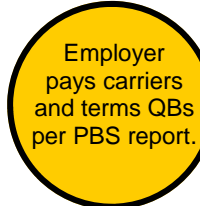
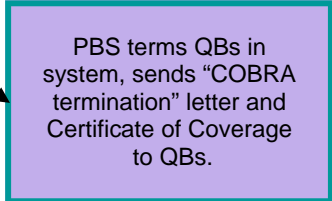
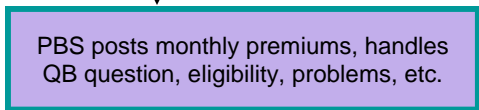
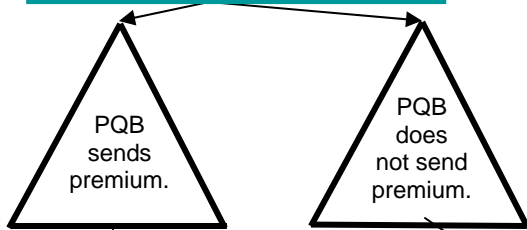
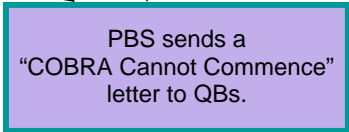
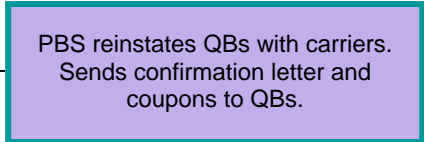
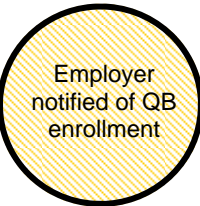
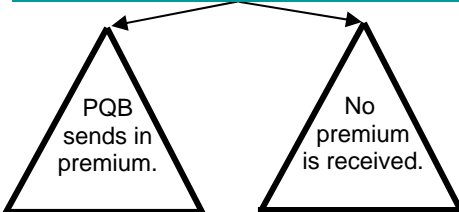
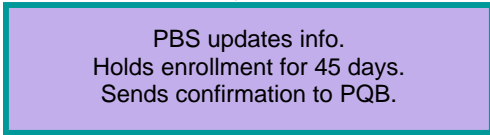
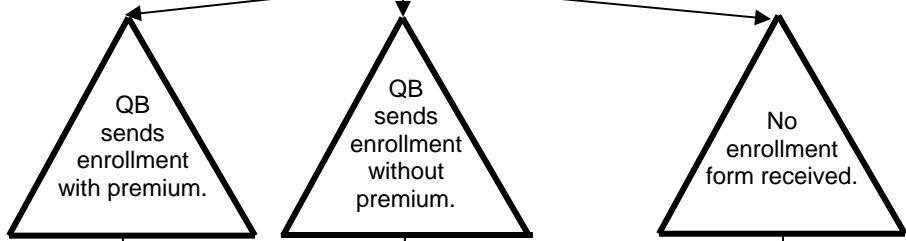
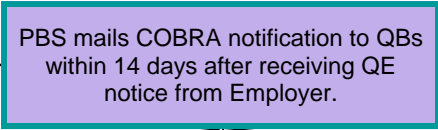
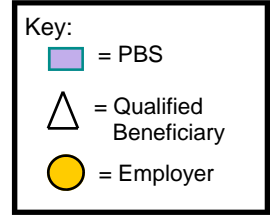
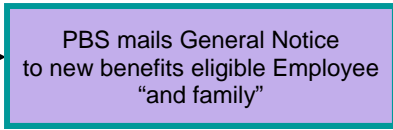
Master Reference Sheet

<u>PBS Primary Contact:</u>	
My Account Manager: _____	
Direct:	303-221-2783 ext. _____
Toll Free:	800-800-0133 ext. _____
Email:	_____ @pbs.us.com

<u>Additional Information:</u>	
<u>PBS Customer Service Phone/Fax:</u> Local: 303-221-2783 Toll Free: 800-800-0133 Fax: 303-221-2785	<u>Mailing Address:</u> Planned Benefit Systems, Inc. COBRA Compliance Department P.O. Box 4594 Greenwood Village, CO 80155-4594
<u>Website:</u> www.pbs.us.com 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.	<u>Email PBS Customer Service:</u> Have a general question or question regarding a participant? You can send us an email at cobra@pbs.us.com and we will respond to you. IT Support: itsupport@pbs.us.com
<u>Hours of Operation:</u> Monday – Friday 7:30 am – 5:00 pm (Mountain Time) Excluding holidays	

COBRA PROCESS FLOWCHART

Start here:





Information Needed by PBS:

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



PBS COBRA Website Capabilities

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

PBS Set Up

- PBS will pre-load all of the group's benefits and rates into our system during the implementation process.
- We also have the ability to upload all active employee demographic information, if desired, to make entering Qualified Event information easier down the line.
- PBS can assign Employer log-ins for multiple staff members so all employees requiring access to the COBRA website will have it.
- Finally, PBS will take the time to train your staff on how to use the website to meet your needs.

General & Qualified Event Notices

- You may enter required information via the website which will automatically result in the mailing of a notice within a day or two.
- The website allows you to see the processing status of the notices as well as the mailed dates.

Access to Information 24/7

- You may access employee status, benefits, rates, dependents, payment history, notification dates, coverage end dates, paid through dates, etc. at any time without speaking to PBS.

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. GENERAL & QUALIFYING EVENT NOTIFICATION LETTERS ISSUED REPORT

This report reflects all beneficiaries notified by PBS of their rights under COBRA via General (Initial) and Qualifying Event notices during the previous calendar month.

- **What you need to do: The Employer should review this report each month to ensure that PBS has notified all participants as requested by your company.**

2. COBRA TERMED ON (TERMINATION) REPORT

This report reflects all participants whose COBRA coverage has terminated.

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

3. PREMIUM RECONCILIATION REPORT

This report lists 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 insurance carrier invoices and make appropriate premium payments to the carriers.**

4. ARRA REPORT

This report reflects the premiums received from COBRA ARRA continuants which are required to complete the quarterly 941 form on an ongoing basis. It lists each participant who has made a premium payment, the amount paid, and the month to which the payment has been credited. *Please consult your tax advisor for any other clarifications regarding your 941 filings.*

- **What you need to do: Use information in this report to take the 65% ARRA tax credit on your 941 filing. This report may include future premium payments which PBS recommends should only be taken on payroll taxes after PBS has forwarded those premiums to your group.**

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.

Participant Name	SSN	Employee Name	Benefit	Tier	Termination Reason	Termination Date	Termed On
Eleven, Sample	XXX-XX-0349	Eleven, Sample	MEDICAL PLAN	Employee Only	End of COBRA	07/01/2009	08/07/2009
Nine, Sample	XXX-XX-7899	Nine, Sample	MEDICAL PLAN	Employee Only	Voluntarily	08/01/2009	08/07/2009
Sample III, Joe	XXX-XX-7213	Sample III, Joe	DENTAL PLAN	Employee + Spouse	Voluntarily	08/01/2009	08/07/2009
Sample, Jane	XXX-XX-9156	Sample, Bill	MEDICAL PLAN	Employee + Family	Failure to Make Timely Payment	07/01/2009	08/07/2009
Nineteen, Sample	XXX-XX-3094	Nineteen, Sample	MEDICAL PLAN	Employee Only	End of COBRA	07/01/2009	08/07/2009
Sample, Ten	XXX-XX-5292	Sample, Ten	DENTAL PLAN	Employee + Spouse	Failure to Make Timely Payment	08/01/2009	08/07/2009

TEST GROUP

000024764

\$ 1541.00

08/\$+/200-

Participant	ID	Benefit	Month	Amount
Joe Sample III	XXX-XX-5462	MEDICAL PLAN - 2009 RATES	July 2009	350.00
Sample Five	XXX-XX-0475	DENTAL PLAN - 2009 RATES	July 2009	91.00
Bill Sample	XXX-XX-0123	MEDICAL PLAN - 2009 RATES	June 2009	550.00
Bill Sample	XXX-XX-0123	MEDICAL PLAN - 2009 RATES	July 2009	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
08/07/2009

AMOUNT
\$*****1,541.00

TO THE TEST GROUP
ORDER 0000
OF ANYWHERE, CO 00000

VOID AFTER 90 DAYS

⑈0000 24 764⑈ ⑆10700 2846⑆ 07464 1⑈

Cobra Events from 07/01/200- to 07/31/200-

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

Send Initial Notification

SAMPLE, JOE	XXX-XX-0073	08/07/2009	Medical	JOE SAMPLE
			Dental	JOE SAMPLE
			FSA	JOE SAMPLE
			Vison	JOE SAMPLE
Sample, Six	XXX-XX-0052	08/07/2009	Medical	Sample Six
Sample, Ten	XXX-XX-0022	08/07/2009	Dental	Sample Ten
Sixteen, Sample	XXX-XX-7775	08/07/2009	Vision	Sample Sixteen

Employee Total **4** **Benefits Total** **7**

Send COBRA Election Form

Five, Sample	XXX-XX-0001	08/07/2009	Dental	Sample Five, Sample Fourteen
Four, Sample	XXX-XX-6666	08/07/2009	Dental	Sample Four
			Medical	Sample Four
Three, Sample	XXX-XX-4590	08/07/2009	Dental	Sample Three
Two, Sample	XXX-XX-9108	08/07/2009	Medical	Sample Two

Employee Total **4** **Benefits Total** **5**

ARRA 941 Subsidy Summary Report

TEST GROUP
03/01/2009 to 05/31/2009

A + B = C D E F G + H = I

COBRA Participant Month	Benefit / Tier	Regular Premiums and Fees			Subsidized Portion			Participant Portion		
		Premium	Fee	Total	Premium	Fee	Total	Premium	Fee	Total
SAMPLE, JOE XXX-XX-9991										
APR 2009										
	DENTAL PLAN - Employee + Spouse	35.00	0.70	35.70	23.21	0.00	23.21	11.79	0.70	12.49
	MEDICAL PLAN - Employee + Spouse	500.00	10.00	510.00	331.50	0.00	331.50	168.50	10.00	178.50
MAY 2009										
	DENTAL PLAN - Employee + Spouse	35.00	0.70	35.70	23.21	0.00	23.21	11.79	0.70	12.49
	MEDICAL PLAN - Employee + Spouse	500.00	10.00	510.00	331.50	0.00	331.50	168.50	10.00	178.50
SAMPLE 2, JOHN XXX-XX-9992										
MAR 2009										
	DENTAL PLAN - Employee + Child(ren)	38.50	0.77	39.27	25.53	0.00	25.53	12.97	0.77	13.74
	MEDICAL PLAN - Employee + Child(ren)	650.00	13.00	663.00	430.95	0.00	430.95	219.05	13.00	232.05
	VISION PLAN - Employee + Child(ren)	15.00	0.30	15.30	9.95	0.00	9.95	5.05	0.30	5.35
APR 2009										
	DENTAL PLAN - Employee + Child(ren)	38.50	0.77	39.27	25.53	0.00	25.53	12.97	0.77	13.74
	MEDICAL PLAN - Employee + Child(ren)	650.00	13.00	663.00	430.95	0.00	430.95	219.05	13.00	232.05
	VISION PLAN - Employee + Child(ren)	15.00	0.30	15.30	9.95	0.00	9.95	5.05	0.30	5.35
MAY 2009										
	DENTAL PLAN - Employee + Child(ren)	38.50	0.77	39.27	25.53	0.00	25.53	12.97	0.77	13.74
	MEDICAL PLAN - Employee + Child(ren)	650.00	13.00	663.00	430.95	0.00	430.95	219.05	13.00	232.05
	VISION PLAN - Employee + Child(ren)	15.00	0.30	15.30	9.95	0.00	9.95	5.05	0.30	5.35
TOTALS		3180.50	63.61	3244.11	2108.71	0.00	2108.71	1071.79	63.61	1135.40

A = (COBRA premium to be paid to insurance carrier)
A + B = C (Full premium with 2% administration fee
F = (65% to be claimed on payroll taxes)
G + H = I (35% Paid by COBRA participant)

Please note: This report may include future subsidies which PBS recommends should only be taken on payroll taxes once PBS has forwarded those premiums to you. Please consult your tax advisor for any other clarifications regarding your 941 filings.



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

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 General (Initial) notice and the notice upon the occurrence of a qualifying event.

1. **General Notice**

The General Notice, often overlooked, must be given to an employee (and spouse if applicable) when first covered under the group plan. This notice is a brief document which outlines the employee's rights and responsibilities with respect to COBRA and must be provided in written form. **Note: Planned Benefit Systems, Inc. will distribute General Notices 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.

PBS will address and send via First Class Mail, the General Notice to the employee "and family" which means that the spouse or other covered dependents have the right to open that piece of mail. It is important to note that handing the General Notice to an employee who also has covered dependents does not fulfill the employer's obligation because it does not ensure that the dependents will have an opportunity to read the document.

2. **The Qualifying Event (QE) 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 QE Notice is a lengthy document which outlines the continuant's rights under COBRA to elect coverage, explains the deadlines for election, lists the benefits available along with their monthly premiums and provides a COBRA enrollment form.

PBS will provide notices of COBRA premium assistance availability to all Assistance Eligible Individuals in accordance with the terms of the American Recovery and Reinvestment Act of 2009 and any/and or all subsequent Acts or Extensions related to the subsidy. The notice of COBRA premium assistance availability shall be in compliance with applicable Department of Labor regulations as to content, format, and method of delivery.

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--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 to COBRA continuants during open enrollment periods if active employees also have opportunities to change carriers, coverage, 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:

- Divorce
- Legal Separation
- Dependent Ceasing to be a Dependent
- Change of address

Note: COBRA does not require the QB's 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). 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.

COBRA NOTIFICATION PROCEDURES

General Notices

A General Notice should be provided either at the time of hire or within 90 days of when an employee becomes eligible for the employer's group benefits. The employer may utilize PBS to send these notices if desired. PBS requires the following information in order to generate and mail a General Notice:

- Employee's Name & Address
- Date of Birth
- Social Security Number or Employee Number
- Hire Date
- Benefit Coverage Start Date

This information may be provided to PBS via a spreadsheet, electronic file or on-line by utilizing the PBS COBRA website.

Qualified Event (QE) Notices

After a QE occurs, the employer must notify PBS within 30 days of the QE so that a notice can be generated and mailed in a timely manner. Like the General Notice information, the employer may communicate this information to us either via a spreadsheet, electronic file or by entering the information via the PBS COBRA website.

The following information is required for a QE:

- Employee's Name & Address
- Date of Birth
- Social Security Number or Employee Number
- Hire Date
- Benefit Coverage Start Date
- Phone
- Gender
- Type of Qualifying Event
- QE Date
- Plan Enrollment—(Medical, Dental, Vision, EAP, FSA, HRA, etc.)

- Coverage levels by plan type
- Spouse/dependents name, address, SSN, DOB
- ARRA Subsidy Eligible (Yes or No)
- Paid through date (takeovers only)
- Severance information (if applicable)

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

QB Enrollment onto COBRA

Once a notification is sent to the Qualified Beneficiary they may elect to continue some or all of their benefits through COBRA. In order to elect benefits, the QB must complete the enrollment form included with the QE Notification and return it within 60 days, along with a check equal to at least one month's premium to Planned Benefit Systems. At this point, PBS will update the QB in our system and contact the appropriate carrier(s) on your behalf to commence COBRA.

If the QB returns the enrollment form with no or less than one month's payment, PBS will respond that we have received the enrollment form but COBRA will not commence unless one month's premium is received within 45 days.

Due to the fact that QE Notices are generally not sent immediately after a Qualifying Event, continuants may experience interruptions in coverage. PBS does make every effort to contact the carrier within 3-5 business days after a completed enrollment is received in order to minimize this disruption in services.

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.

Premium Payments Remittance to Employers

COBRA premiums are always due on the first day of the month for which they cover. In addition, COBRA continuants are afforded a 30 day Grace Period in which to post their premiums before they are considered delinquent.

Planned Benefit Systems will accept premiums received in our office postmarked up through the 30 day grace period. We generally run reports on the 5th of the month (collecting all data for the previous month) and these reports are mailed along with premiums collected to the employer on or near the 10th of each month.

We recommend that the employer pay all COBRA participant premiums to the insurance providers when they are due and then take a retroactive credit if a continuant does not make payment. For example, if the employer is paying July premium on or about July 1st 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 monthly premium payment slip correspondence to the participants indicates that payments should 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 for which 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."

ADDITIONAL EMPLOYER OBLIGATIONS

In addition to providing PBs with information regarding QBs for the General and Qualified Event Notices, the employer should also keep PBS informed of the following:

Billing and Eligibility Contacts 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 by providing us with the names and telephone numbers of all billing and enrollment/eligibility specialists at their respective insurance carriers. This information should be provided on the PBS Employer Application. PBS is willing to utilize on-line enrollment technology if available to manage COBRA enrollment. The employer must authorize PBS to enter the carrier's system on their behalf.

Severance Agreements

In the event of a severance agreement, the QE information should be provided to PBS in exactly the same way as with any other situation. Please note that the Qualifying Event date will still be the actual date that the QE occurred (e.g. date of termination). It is recommended that the employer terminate the participant with the carriers just as they would for any other QB. PBS will notify the participant in the same manner so that an enrollment form must still be filled out by the QB in order for COBRA, and the severance, to begin.

It is important, however, for the employer to communicate the terms of the severance agreement (including benefits affected, amount and duration of severance) to PBS in writing. A copy of the actual severance agreement would suffice. Once the participant elects COBRA, PBS will forward the enrollment form to the insurance company to reinstate the participant back onto the group health plan and their premium payments will be reduced according to the terms of the severance.

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 premium payment slips for all affected COBRA participants. These rates should be communicated at least 30 days prior to the change. Under COBRA regulations, continuants may not be required to pay rate increases more than one time in a 12 month period.

Plan Changes

If an employer decides to change insurance carriers at any time, this information 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.

PARTICIPANT OBLIGATIONS

As part of the services we provide to our employers, we ask that all QB 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. 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 or change of address.

The continuant is also responsible for forwarding their premium to PBS in a timely manner. Any premium payments received after the 30 day grace period will be returned and COBRA coverage will be terminated. In the case of insufficient funds, the continuant will be notified of the NSF, assessed a banking fee and given an opportunity to make acceptable payment within a defined number of days.

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 as an administrative fee.

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 continuant 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 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, PBS is 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 continuant should be on the check stub of a third party payer in order to avoid confusion.

OPEN ENROLLMENT

COBRA Regulations

If an Open Enrollment is offered to active employees, the same options 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 coverage of family members – (coverage can be dropped anytime during the year).

Employer Action

Benefit plan changes and new rates should be submitted to PBS upon receipt of this information from the carriers, preferably 30 days prior to the effective date. PBS should also be informed of the new carrier eligibility representative, as well as the deadline for submitting OE election forms to the carrier.

PBS Open Enrollment Service Options

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

Standard OE Service (no additional cost)

- 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 slips to participants.

Optional OE Service (additional fees apply)

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