COBRA Administration Manager Software

Installation and Guide
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Liability Release

COBRA Solutions, Inc. has created the COBRA Administration Manager to meet the requirements of the Federal legislation. Some States may have additional requirements whereby the user is responsible for updating the COBRA notifications to satisfy State laws.

It is not the responsibility of COBRA Solutions, Inc. to notify users of any changes to Federal or State laws. Changes and available downloads will be based upon the Federal law. If changes occur within your firm’s state, it is the user’s responsibility to contact an attorney to update the notifications.

COBRA Solutions, Inc. has prepared the enclosed COBRA letters as base-model notifications for demonstration purposes and are not complete. These letters should NOT be distributed or used in conjunction with the administration of the COBRA legislation. If purchased, revised compliant letters will be distributed.
COBRA Administration Manager

Foreword

This version of the COBRA Administration Manager was designed to assist employers with the administration of the Consolidated Omnibus Budget Reconciliation Act of 1985, and its amendments. COBRA has become a time-consuming administration process where many employers have a difficult time remaining current and are unknowingly, administering it incorrectly. With costly lawsuits and government fines, employers have turned to COBRA Solutions, Inc. to assist with the administration of the law.

The software will provide your organization up-to-date notifications and a tracking process that will offer you piece of mind in the administration of the law. For further information on COBRA, you may wish to read the section, “Your Responsibilities Under COBRA.”

Minimum System Requirements

For the maximum efficiency of this COBRA administrative program, we recommend the following computer capabilities:

- Microsoft Windows XP, Windows ME, Windows 98, Windows 2000 or Windows NT 4 (service pack 3 or later). The COBRA Administration Manager will not run or the Mac OS using Windows-emulation Software.
- 64 MB of Ram to install and run the COBRA Administration Manager program.
- 15 MB of available hard drive space. If using the COBRA Administration Manager software to administer multiple Groups / Companies, expect at least another 5 MB of hard drive space per group.
- A web browser is needed for some Internet features.
- 28.8 kbps modem or direct Internet connection to use the COBRA Administration Manager Internet features.
- 2X CD-ROM drive.
- SVGA video card with a minimum of 16-bit high color
- Windows-compatible printer
Before installing the COBRA Administration Manager

To avoid installation problems, complete the following steps before you begin installation:

1. Disable all virus-protection programs running on your computer. Refer to your virus-protection on-screen help for instructions. After you install the COBRA Administration Manager re-enable your virus protection software.
2. Close all open programs except Explorer and Systray.
3. Run ScanDisk to find and repair errors on your hard disk. See your Windows on-screen help for instructions.

Installing the Software

The installation of this software product is simple and should only take you a few minutes. To install the program to a single computer, follow these instructions:

1. Double click on the file called “cam_demo.exe” located on your Desktop. (If you have not yet downloaded the demo please see our website to download the file and for instructions.)
2. In the Welcome dialog box, review the information, then select Next.
3. In the Software License Agreement dialog box, read the License Agreement and click Yes if you agree or No if you do not agree (If you select no you can not install the COBRA Administration Manager Software).
4. In the next dialog box there will be information about the different kind of installs, review and then click next.
5. In the Type of Setup dialog box you will be offered two (2) types of installations. 1) Typical installation (recommended) will install all necessary files onto your hard drive. This option should be used when installing to a local computer. 2) Custom Installation, which allows you to select which files, you wish to install; application or system files. The Custom installation is used for installing to a network (Please read the following section for more information on installing to a network). Lastly you will be asked which directory you want to install the COBRA Administration Manager too. By default a directory called “COBRA Administration Manager” will be created on your hard drive.
6. The program will be copied onto your hard drive, a Program Item will be created called “COBRA Administration Manager” along with a Program Group Window called “COBRA Solutions.”
Installing to a Network

The COBRA Administration Manager is a multi-user program that may be installed on a network server. Follow the same instructions as with “Installing to a Hard Drive.” Select the “Custom” installation option and install the application files to the server. Next, install the system files onto each of the local workstations needing access to the program and create a shortcut to the COBRA.EXE on the server.

To create a shortcut, right click on the Start Task Bar followed by the Properties option. Click on either the Advanced or Start Menu Programs tab (depending upon the Windows version your are running). Click on the Advanced command button and on the Programs folder. Click File and New followed by folder and enter “COBRA Solutions.” Click and open the newly created folder and click File and New followed by Shortcut. Using the browse button select the COBRA.EXE file in the folder on the server and name the shortcut “COBRA Administration Manager.”

To begin the COBRA Administration Manager program, click the START button, move your mouse over Programs followed by the COBRA Solutions group and select the COBRA Administration Manager program. You may also start the program from your Windows Explorer by double clicking the COBRA.exe file found in the root directory. Alternatively you may also use the shortcut created on your desktop.

Initial Startup

On initial startup of the COBRA Administration Manager – Demo you will be asked if you would like the software to create data for you or if you would like to create your own. It is recommended that you let the software create the initial data for you, this way you can see how the software runs on a day-to-day basis. If you choose to create your own data, you will need to provide the program with your company, insurance plan(s) and current COBRA Qualifier/Participant information.

Helped is also provided by choosing the “Help” menu option and then selecting “Help” from the available options. You may also use the Function 1 key (F1) on your keyboard at any time while running the COBRA Administration Manager.
**COBRA Definitions**

**Active Employee** - A newly hired or current employee of the company. Newly hired employees are sent the initial COBRA notification upon enrolling in the group plan(s).


**COBRA Participant** - An individual that has elected to continue COBRA coverage by completing the necessary paperwork and paying monthly premiums.

**COBRA Qualifier** - An individual that has experienced a “qualifying event” (explained previously) but has not made an election to continue coverage.


**Things To Do List**

The Things To Do List is the watchdog of the program. It keeps track of every COBRA-related event and notifies you when you need to perform a task. Events such as when to produce Qualifying Event, Conversion, and Termination letters will be tracked by the Things-to-do box as well as notifying you of late paying Participants.

To perform the tasks stated in the Things-to-do box, you may double click on the item. Once the procedure is completed, it will disappear from the list. This tracking system is important in the administration of COBRA, so it is highly recommended that you perform all tasks in the list as soon as possible.

The Things-to-do-box will also allow you to prepare all the necessary notifications at the push of a button. Click on the “Print All Letters Now” button and the shown letters will be sent directly to the printer. You may print the items in the Things-to-do-box for prior authorization or to divide the tasks.

Lastly, you will notice the Things-to-do-box will disappear if you use other Menu procedures. It will appear when necessary and should show in your task bar at the bottom of your screen. You may click on it to have it reappear. Under the REPORTS Menu, you may click on the Show Things-to-do List to Turn on and off its capabilities. Since it takes more processing time to produce the box, you may turn it off if your system is running slow.
THE COBRA Legislation

The following offers a brief description of the COBRA legislation. Please review so you’ll have an understanding as to why and when you need to utilize this specialty software program.

History of COBRA and Your Responsibilities

In 1985, Congress passed the Consolidated Omnibus Budget Reconciliation Act (COBRA) which was a potpourri of legislation affecting defense, Medicare, agriculture, housing and numerous other Federal programs. For most employers, COBRA is the law that provides employees (or covered dependents) that have experienced a “qualifying event” the right to continue their group health care coverage.

Congress viewed studies that indicated adequate health care coverage was not available to many Americans under age 65 due to pre-existing conditions, high premiums or difficulty in finding carriers to take them on an individual basis. The studies also illustrated that sixty-six (66%) percent of an estimated thirty-three million had some relationship to an employer or previous employer. Henceforth, the law’s implementation now places the responsibility of offering continuation coverage on the employer.

The law was ambiguous in its original form and therefore has been changed or clarified six (6) times. In its current state, the legislation places the following requirements on all employers with twenty or more employees that offer a group insurance program (with an exception of churches and the Federal Government):

1) Initial/General COBRA Notification to all employees;
2) Notify employees/dependents who experience a “qualifying event”;
3) Monitor COBRA election periods;
4) Monitor COBRA Participant’s time frames;
5) Collect funds for COBRA monthly premiums; and
6) Notify COBRA Participants of Conversion privilege.

The law asks that you provide initial COBRA notification to all employees and covered dependents explaining their rights under the law. It is recommended you send this initial notification to the employee and a second one to covered dependents on an annual basis. A copy of the initial notification should also be part of your new employee information packet. If possible, have employees’ sign that they received a copy and place it in their personnel file.

Effective August 21, 1996, the Health Insurance Portability and Accountability Act of 1996 (HIPAA) was signed into law. HIPAA both clarified and modified
elements of COBRA and below are some of the major changes HIPAA made to COBRA:

1. The definition of a “Qualified Beneficiary” was expanded to include a child born to (or placed for adoption with) a COBRA Participant during the COBRA continuation period.
2. The “Disability Extension” was clarified to mean either the employee or covered dependent who was disabled prior to or in the first sixty (60) days of COBRA would be eligible to continue COBRA coverage for up to twenty-nine (29) months. The disabled person still must be considered disabled by the Social Security Administration (SSA) within the initial eighteen (18) months and provide written documentation to the employer illustrating SSA’s determination. Once received, all family members enrolled on the plan may continue coverage during the eleven (11) month extension.
3. HIPAA clarified when employers may terminate COBRA coverage on Participants that receive similar coverage under another group plan. Because the law limits the waiting periods place on medical pre-existing conditions (twelve months for timely enrollees, eighteen for late), employers may now terminate a COBRA participant if the person has enough prior coverage credit to eliminate any pre-existing condition limitation. (Even though this provision provides employers the right to terminate COBRA coverage, it is believed it will be one of the first issues challenged in court and prior history shows that if the Participant has a pre-existing condition that may not be covered under the other plan, you will not be able to terminate them.)
4. Medical Savings Accounts (not to be confused with Medical Reimbursement Accounts/Flexible Spending Arrangements under a Cafeteria Plan) no longer must be included as a COBRA offered plan.
5. COBRA Participants may withdrawal funds from an IRA without the ten (10%) percent penalty to pay for COBRA premiums. For this provision to apply, COBRA Participants must have received unemployment compensation under Federal or State law for at least 12 weeks.
6. Anyone losing coverage from a group plan will receive “monthly credits” to reduce a new group plan’s pre-existing condition limitation. A Certificate of Coverage must be provided detailing recent group insurance coverage under the plan the person is being terminated from which should be shown to the new employer. If the individual goes longer then sixty-three (63) days without coverage, the new employer does not have to provide any prior coverage credits. (The sixty-three days do not include the new employers “new hire waiting period”).
7. Guaranty of Individual Insurance Availability will be offered to individuals that:
   a) exhaust COBRA (either 18, 29 or 36 months);
   b) are not eligible for other group coverage, Medicare (Parts A or B), or Medicaid; and
   c) have not been terminated for nonpayment of premiums.
These individual plans may not have any pre-existing condition limitations, nor refuse coverage to any individuals that meet the criteria.

This is just a brief overview of the changes HIPAA made to COBRA. Please seek further information from a Benefits Attorney to verify that you are administering COBRA in accordance with HIPAA.

This manual will be updated on the internet from time to time. You have the ability to review the most recent release by clicking the COBRA Manual option found under the HELP Menu.

**COBRA Qualifying Events**

It is important to have a complete understanding of “qualifying events” because they trigger the beginning of the COBRA administration process. For the event to be considered as a “qualifying event,” an employee, spouse or dependent child must have a loss of coverage under the group plan. The following are the seven “qualifying events” that would require COBRA notification and begin the tracking process.

1. Termination of Employment (maximum of 18 months);
2. Reduction in Work Hours (maximum of 18 months);
3. Divorce/Legal Separation (maximum of 36 months);
4. Death of Employee (maximum of 36 months);
5. Medicare Entitlement (maximum of 36 months);
6. Loss of “Dependent” status (maximum of 36 months); and
7. Corporate Bankruptcy (lifetime).

Termination of Employment can be either voluntary or involuntary. Examples of termination considered as a “qualifying event” are quitting, retirement, firing for cause (other than for “gross misconduct”), plant closing or layoffs, sales of subsidiaries or strikes. The term “gross misconduct” has not been defined at the printing of this manual but is perceived to be anything unlawful.

Most companies require an employee work a minimum number of hours to be eligible for benefits. If an employee voluntarily or involuntarily reduces their work hours, becoming ineligible for benefits under the company’s guidelines, they should be offered the right to continue under the COBRA legislation.

If an employee is currently providing coverage for a spouse and experiences a divorce or legal separation, it is the responsibility of the employee or spouse to notify the COBRA administrator of this “qualifying event” within sixty (60) days from it becoming legal. If they do not provide this notification, the company is not required to offer continuation coverage. If the spouse continues their coverage,
they should be offered the same rights as an active employee - to add newly acquired dependents or change plans at open enrollment time.

The death of an employee is a unique situation handled differently by all companies. If your company offers payment of premiums for dependents of a deceased employee for a period of time, continuation coverage should be offered upon completion of that time frame. Otherwise, you should offer the COBRA continuation coverage within the fourteen (14) day notification time frame.

As employees become eligible for Medicare, it is possible for their dependents to lose their eligibility under the group plan. There are several ways a covered employee can become entitled to Medicare benefits. The rules for entitlement to Medicare are defined in Title XVII of the Social Security Act. Most become eligible at age 65. Others can become entitled without meeting an age requirement or Social Security eligibility standards and a few can enroll in Medicare by paying a premium, even if not technically “entitled” to Medicare benefits.

Medicare Entitlement is considered a “voluntary qualifying event” because an individual is not actually entitled to Medicare benefits until an application is filed. It is not common under most group plans to terminate coverage upon Medicare entitlement but it would be the responsibility of the employee or dependent to notify the administrator of the application. It is more likely that an employee takes an early retirement and becomes eligible for Medicare. To eliminate having to pay premiums for themselves and dependents, they terminate their coverage and continue their dependents under the group plan. If an employee is enrolled on Medicare (or another group plan) at the time of a qualifying event, the employer must offer the employee and covered dependents the right to continue under COBRA.

Insurance companies define the term “dependent” in their group contract which limits the age of children eligible for benefits under the group plan. Once a child becomes ineligible to continue under the group plan, it is the responsibility of the child or parent to notify the COBRA administrator of their ineligibility within sixty (60) days. If you are not notified within this time frame, continuation coverage does not have to be offered. If a dependent child marries, it may be considered as a loss of “dependent” status. Please contact your insurer for clarification.

Lastly, retired employees of a company that experiences a corporate bankruptcy are also eligible for continuation coverage. A bankruptcy proceeding means any case brought by an employer under Title 11 of the United States Code, including liquidation proceedings under Chapter 7 and reorganizations under Chapter 11. Congress did not elaborate greatly on this “qualifying event” and this software does not administer the law under this qualifying event.
**Important COBRA Time Frames**

COBRA is very specific on both employee and dependent time frame requirements. Below are the maximum time frames under COBRA.

**Qualifying Events Receiving 18 Months Continuation Coverage**

1) Termination of Employment (other than “gross misconduct”);
2) Reduction in Work Hours (making employee ineligible for benefits);

**Qualifying Events Receiving 36 Months Continuation Coverage**

1) Death of Employee;
2) Divorce/Legal Separation of Employee;
3) Employee becomes Entitled to Medicare (taken off insurance); and
4) Dependents no longer meeting the definition of a “DEPENDENT” under the Insurance Plan.

If a COBRA Qualifier or Participant becomes disabled prior to the qualifying event or within the first sixty (60) days of COBRA continuation and is considered “disabled” under Title 11 or Title XVI of the Social Security, they are eligible for up to 29 months of continuation coverage.

You may wonder what is your responsibility if a divorce occurs in which you were unaware or an employee’s child reaches the maximum age under the group plan. The employee and/or dependent is responsible for notifying you within sixty (60) days of the event, therefore if you are not notified, your responsibility is eliminated. (Caution: The initial notification letter explains what the spouse needs to contact the Administrator upon experiencing a divorce so make sure that all covered spouses receive this notification.)

Once you notify the “Qualifier” of their COBRA rights, they have sixty (60) days (from the latter of the benefits termination date or the date of your notification) to inform you if they want to continue their health coverage. After this time frame, you as an employer have met your responsibilities under the COBRA law.

The employee/dependent has the right to continue any or all of the group health plans they were enrolled on the day prior to the “qualifying event.” In addition, any or all of the individuals enrolled on the plan(s) have the right to continue their coverage. For example, if an employee had a spouse and three children on his group plan, the spouse and one child can elect to continue the coverage without having the employee and other two children on their plan.

Qualifiers electing to continue coverage have forty-five (45) days from the date they notify you of their desire to continue to make their initial COBRA premium
payment but are responsible for all premiums back to the date of group coverage termination.

You have the right to charge the COBRA Participant 102% of your group premium costs for their continuation. The additional two (2%) percent is to cover your administration costs. Once the Qualifier has made their initial COBRA payment (providing a forty-five day grace period), they have a thirty day grace period in which to make subsequent payments. If a Qualified Beneficiary is disabled at the time of the “qualifying event” or within the first sixty (60) days of COBRA continuation and provides written documentation from Social Security Administration within the eighteen (18) month COBRA Period, they should be offered an eleven (11) month extension. During this eleven (11) month extension, the employer may charge up to a fifty (50%) percent administration fee and must allow all individuals on the plan to continue.

If at some time during continuation, a dependent experiences another “qualifying event,” the employer must offer them the right to continue their benefits up to a maximum of thirty-six (36) months. For example, an employee with family coverage is terminated from your employment and agrees to continue their coverage for the eighteen (18) months. In the ninth month, the couple divorce. If they notify you within sixty (60) days, you must offer the spouse (and covered children) up to thirty-six (36) months of continuation coverage from the original termination date.

COBRA Participants should be treated as employees during renewal or “Open Enrollment” time. If you offer optional plans and active employees are offered the right to change programs, we recommend that you contact the COBRA Participant and allow them to change (but make sure the insurance company accepts COBRA Participants during Open Enrollment). In addition, if you terminate a program (in which a COBRA Participant is enrolled) and replace it with another plan, you will need to inform the COBRA Participant of the new plan. Your COBRA responsibilities will end in regards to a COBRA Participant if one of the following occurs:

1. They obtain their maximum COBRA time frame (18, 29 or 36 months);
2. They receive alternative coverage under another group plan. (If they have a pre-existing condition that the new plan does not cover, they have the right to stay under your group plan until their maximum COBRA time frame has expired). HIPAA offers employers the right to terminate COBRA coverage for individuals that receive other group coverage and have enough prior coverage credit to eliminate the pre-existing condition limitation (but it is recommended that you exercise this option only in situations when no pre-existing conditions apply to any of the Qualified Beneficiaries);
3. They become entitled to Medicare;
4. They fail to make timely COBRA premium payments;
5. If they move residence outside of the plan’s “service area” and under the
insurer’s group service agreement does not meet the eligibility requirements.
If another plan is available for Active Employees in the new location, COBRA
Qualifiers and Participants should be offered the right to continue under that
plan;
6. They are deemed to have filed “fraudulent claims” or other activities in which
an active employee would be terminated from an insurance plan;
7. If a “disabled” participant is no longer deemed disabled during the eleven
month extension, the entire family unit may be terminated; or
8. Your company decides to eliminate a group plan and not replace it with a
similar group insurance plan.

Penalties for COBRA Noncompliance

As you can see, the COBRA legislation is complex and can be extremely time-
consuming to administer. Many companies have relaxed their COBRA
administration but may find themselves in hot water because in recent years,
numerous employers have been sued successfully for noncompliance.

The legislation states that if an employer is found in noncompliance with the law,
an excise tax in the amount of $110.00 per day, per beneficiary (limit of $220.00
per family per day) for every day of noncompliance. HIPAA also has a similar
excise tax for noncompliance. It doesn’t take a mathematician to figure this can
add up to a large sum of money! But, this is only a hand slap by the government.
You may also be sued by the employee or dependents under ERISA for
monetary damages for COBRA noncompliance. When an uninsured person is
injured and seeks council, sharp attorneys are asking ex-employers to prove they
were in compliance of the COBRA legislation. If not, the employer may be
responsible for all medical bills and punitive damages for the person’s mental
strain and suffering.

To reduce this liability, we have created the COBRA Administration Manager.
This software product is designed to provide correct COBRA notification, monitor
all “qualifying events” and associated time frames, provide a billing program,
handle all of COBRA’s unique circumstances and lastly, document everything in
monthly reports.

COBRA Solutions, Inc. hopes this software product will make administrating the
COBRA legislation an easier task while reducing the risks of a lawsuit. If the law
should change at sometime in the future, COBRA Solutions will make the
necessary software alterations. Updating the software will be handled by
downloading new files from the internet. For this service, an annual maintenance
fee will be charged.
We recommend that if you have a question regarding a particular COBRA situation, please contact an attorney that specializes in the employee benefits area. Due to the liability and amount of calls we would receive on a daily basis, COBRA Solutions will be unable to answer any COBRA questions.

Again, thank you for trying our product and please let us know if you have any suggestions or recommendations.
COBRA Solutions, Inc. - Contact List

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COBRA Administration Manager – Demo
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