

Taming COBRA

How a third party can help you administer COBRA policies to keep your company in compliance

Keeping current with health care rules and regulations is never easy. For many companies, staying up to date with all the changes in health care can create a drain on resources, both from the standpoint of the enormous amount of time necessary for someone in the organization to spend to understand the systems, and in revenue if mistakes are made and the company is fined for noncompliance.

The problem becomes more difficult when dealing with the management of complicated health care regulation such as the Consolidated Omnibus Budget Reconciliation Act, which is better known as COBRA. COBRA is a program that was designed to provide a way for employees and their covered dependents to maintain group health benefits after experiencing a qualifying event, such as job loss, divorce, or loss of dependent status.

“Many companies underestimate what is involved with COBRA administration,” says Tammy Clay, manager of COBRA Operations, UPMC Benefit Management Services, a division of UPMC Health Plan. “COBRA has many requirements that involve notices and account tracking for varying time frames, depending upon the type of qualifying event. It’s not something all companies can or should handle themselves.”

Smart Business spoke with Clay about the complexities of COBRA administration and how employers should approach it in their companies.

What is COBRA?

COBRA gives workers and their families who lose health benefits the right to choose to continue group health benefits provided by their group health plan for limited periods of time under certain circumstances, such as voluntary or involuntary job loss, reduction in hours worked, transition between jobs, death, divorce and other life events.

Why does an employer need a COBRA administrator?

COBRA can be complex to administer. Employers need to be aware of deadlines and details that can make it difficult to be compliant with COBRA regulations. Because mistakes can be costly, in terms of fines or in lost time, it makes sense to outsource the task to an expert. Often, that means a third-party administrator of benefit programs.

COBRA specialty administrators are experts in staying up to date on the regulations



Tammy Clay
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and in keeping an employer in compliance.

What does COBRA require of employers?

Essentially, COBRA requirements call for employers to send notices to employees, former employees and their spouses and children, and to calculate and collect premiums. They are required to keep track of employees who are eligible and employees who are not. They also need to have a record of who received notices and when they were sent. Lastly, they need to determine whether premiums are accurate and paid on time.

What are some advantages to outsourcing COBRA administration for employers?

In a sense, outsourcing COBRA administration can be looked at as a form of risk management for the employer. Because of the legal issues that surround proper administration of COBRA, it is essential that all aspects of the process are done correctly. One of the primary reasons employers outsource COBRA administration is in an effort to minimize their exposure.

How can employers determine if they need to outsource COBRA administration?

There are three questions an employer might want to ask when determining wheth-

er or not outsourcing COBRA administration would make sense for the organization. First, does the company have the time to administer COBRA correctly? Second, is the company knowledgeable about the latest COBRA requirements? Third, can the company afford the cost for the liability of noncompliance should it get it wrong? If the answer to any of those questions is ‘no,’ then the employer should strongly consider outsourcing COBRA administration to a professional.

What kinds of features should an employer look for in a COBRA administrator?

There are several features employers should expect from a COBRA administrator. You should expect billing and collection service on a monthly basis. You may also want online credit and debit payment options available to COBRA participants. Flexible remittance options and the ability to interact with multiple carriers are services that give an employer the choice of how the premium will be paid to the carrier, the employer or both. It’s important that COBRA administrators be capable of monitoring and tracking. This would include the 60-day election period, the 45-day initial premium payment period, the ongoing 30-day grace period and cessation of COBRA coverage.

Expect an administrator to provide user-friendly monthly activity reports that summarize billing and collection from COBRA participants. Offering an employer a portal to view COBRA participants and activity in real-time, or even to enter information, is also a feature that many COBRA administrators are now offering in their menu of services.

What else can an employer gain by outsourcing COBRA administration?

Because COBRA can be difficult to understand as well as confusing, access to experts who can walk participants through the process is essential. Employers benefit by being able to rely on an experienced COBRA administrator that has a member services department and that understands COBRA and can answer COBRA questions from former employees. Being able to provide 24/7 access to account information online and having a broad time frame available for participant calls are also two important factors that employers can expect from any well-rounded COBRA administration service. <<

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