

## Benefit Fact Sheet

### What is it?

Outsourcing of services associated with COBRA compliance for former plan participants. COBRA administrators perform a full range of services, including COBRA Election Agreement notification, premium collection and remittance to carriers and the mailing of HIPAA certificates.

### Why offer it?

- Outsource administrators are specialists in understanding and administering COBRA, which helps to ensure compliance with COBRA regulations.
- Outsource administrators relieve staff of the burden associated with COBRA administration.

### What types of employers offer it?

Employers with limited internal resources and those interested in outsourcing non-core services.

### What size employers offer it?

Smaller employers (<100 employees) generally administer COBRA internally because they have relatively few qualifying events and COBRA continuees. Larger employers and those with high turnover rates are better candidates for outsourcing because they have sufficient transactions to justify the set up costs and ongoing use of a third party administrator.

### What are the critical underwriting or participation requirements?

- Size of group
- Turnover rate
- Services provided/required
- Number of carriers the administrator would be required to interface with (if handling premium remittance to carriers)
- Many administrators charge a minimum monthly fee (applicable to smaller employers with few COBRA enrollees)

### What's new in this area?

President Obama signed into law the Department of Defense Appropriations Act, 2010 (2010 DOD Act) on December 21, 2009. The 2010 DOD Act included an extension of the federal COBRA subsidy originally included in the American Recovery and Reinvestment Act of 2009 (ARRA). The subsidy covers 65% of the COBRA cost and can last up to 15 months. The law became effective immediately. For more information regarding this law, see <http://www.dol.gov/ebsa/faqs/faq-cobra-premiumreductionEE.html>.

### How much does it cost?

General fee ranges:

- Initial COBRA notification: \$10 - \$15 per notification
- Monthly participant billing: \$10 - \$15 per participant/month
- HIPAA certificate mailings: \$10 - \$15 per certificate

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### Informational link(s)

- [Flex America](#)
- [ArlenGroup Cobra Fact Sheet](#)
- In 2004, the DOL passed new COBRA notification and disclosure requirements. For more information, see: <http://www.dol.gov/ebsa/regs/fedreg/final/2004011796.htm>

### Pros and cons

#### Pros

- Internal resources can be deployed to core HR services
- COBRA expertise provided by administrator
- Ensure compliance with COBRA regulations

#### Cons

- Additional hard dollar expense
- Additional third-party interface

### Notes

Standard COBRA Administration services include:

- Initial COBRA notification (optional)
- Election notice
- HIPAA notice
- Maintenance of coverage elections and/or changes
- Submission of eligibility information to client or carrier
- Premium collection and remittance to client or carrier
- Monitoring COBRA election periods
- Notification of coverage termination and conversion rights
- Open enrollment

This Fact Sheet is designed to provide a general overview of the benefit program, service, or regulatory act it describes. The information included in this document is not a substitute for legal or professional opinion relative to a plan sponsor's particular fact pattern. Your ArlenGroup consultant can answer more specific questions relative to its application for your organization. A menu of additional topics is available online at: [www.arlengroup.com/facts](http://www.arlengroup.com/facts).