COBRA Procedures and
Basic Compliance Rules for Employers

Allied National is pleased to provide your group with medical and/or dental benefits. This guide is intended to assist you with managing your COBRA obligations as the Plan Administrator (as defined by ERISA). (Note: References to "employer", "you," "plan administrator" or "administrator" in this compliance packet are references to the employer sponsoring the group benefit plan).

This packet contains recommended forms, procedures and guidelines to follow. Allied does not provide legal advice and recommends that your procedures and the sample forms provided in this packet be reviewed by appropriate legal counsel, especially in regard to keeping them up to date as the laws and regulations change over time.*

For assistance, please contact Allied’s Client Services team by phone at 800-825-7531 or by email at clientservices@alliednational.com.

Please Note
Annual Open Enrollment/Change in Rates

Advance notice must be given of a change in plan rates and benefits to all current and potential Cobra participants (those in the election grace period). Once notice of annual renewal is received and plan details finalized, the employer must send notice to all current and potential participants. Cobra participants have the same rights as any other employee to elect any offered plan options during annual open enrollment.

* This compliance packet is provided as only a courtesy to sponsoring employers, addresses only general COBRA compliance obligations that may or may not apply to the group health plan, and is subject to revision of law and plan changes. Allied National, Inc., is not a legal advisor for the employer or plan, makes no representations concerning COBRA compliance obligations (or any other compliance obligation under federal, state or local law, rule or regulation), and disclaims any and all liability resulting from reliance upon the accuracy or completeness of this information. The employer and plan are instead encouraged to consult independent legal counsel for such advice and guidance.
IMPORTANT NOTICE TO ALL EMPLOYERS
WITH 20 OR MORE EMPLOYEES

RE: MAJOR MEDICAL AND/OR DENTAL PLANS

Public Act 99-272 was signed by President Reagan. Title X of the Act (commonly known as COBRA) places specific requirements on you as the Employer in connection with your benefit plan. If you are not sure Title X applies to you, we urge you strongly to contact your attorney or accountant.

Title X requires employers that normally employed 20 or more employees (full- or part-time) on a typical business day during the preceding calendar year to continue benefits for certain qualified beneficiaries. Failure to comply with the requirements of Title X may cause your firm to be denied the business expense deduction under Section 162 of the Internal Revenue Code (for contributions to a group health and/or dental plan) and to be subject to substantial penalties (including imposition of an excise tax of $110 per day for each qualified beneficiary affected by the noncompliance).

Basically, Title X requires continuation of benefits up to 18 months for Covered Employees whose employment has been terminated, other than by reason of such employee’s gross misconduct, or for Covered Employees whose hours have been reduced below the continuing eligibility requirements, or Reservists called up for active Military Duty.

Also, Title X requires continuation of benefits up to 36 months, after coverage would otherwise terminate, for dependents of the Covered Employee in the event of (1) the death of the Covered Employee, (2) divorce or legal separation of the Covered Employee’s spouse, and (3) the Covered Employee becoming entitled to benefits under Title XVIII of the Social Security Act (Medicare). A dependent child is entitled to continuation of benefits for up to 36 months after his eligibility as a dependent under the plan ceases. These time periods may be extended up to 29 or 36 months for disability or a second qualifying event.

As the employer, you may charge the covered individual electing such continuation of coverage up to 102% of the premium or total monthly cost normally incurred for such person’s coverage.

Title X places strict reporting requirements on you, the employer. As the employer, you must send a full explanation of the right to elect continuation, notice of eligibility and the continuation election form (all provided in this packet) to the employee within 14 days in the case of (1) an employee’s termination of employment (other than for gross misconduct) or reduced hours below the continuing eligibility requirements of 130 hours per month, (2) death of the Covered Employee, or (3) the employee becoming entitled to Medicare.

The spouse or other qualified beneficiary is responsible for notifying you within 30 days in the event of divorce or legal separation or a dependent child ceasing to meet the eligibility requirements of the plan. The employer must within 14 days of receipt of that notice provide the full explanation of the right to elect continuation, notice of eligibility and the continuation election form (all provided in this packet) to the employee or other qualified beneficiary.

Title X also requires that each of your employees receive a copy of this notice or is otherwise properly informed of his or her rights to continuation of coverage within 90 days of the start of coverage. This is included in the plan documents provided by Allied.
COBRA DEFINITIONS / EXPLANATIONS

QUALIFIED BENEFICIARY
Any Individual Covered on the day before a “Qualifying Event” as an employee, spouse or dependent child of a covered employee or a child born to or placed for adoption with a covered employee during the COBRA continuation coverage period.

QUALIFYING EVENT
A. Employee termination (except for gross misconduct): ................................................................. 18 months (for employee and covered dependents)
B. Reduction of hours for employee below eligible minimum (130 hours/month): ......................... 18 months (for employee and covered dependents)
C. Employee death .................................................................................................................. 36 months (for covered dependents)
D. Employee divorce/legal separation: ............................................................... 36 months (for covered dependents)
E. Employee eligibility for Medicare: ............................................ 36 months (for covered dependents)
F. Dependent child ceases to be eligible as a dependent............ 36 months (for that dependent child)

LENGTH OF CONTINUATION*

A. Employer ceases to provide any group health/dental plan.
B. Failure to make timely payment with respect to “qualified beneficiary.”
C. “Qualified beneficiary” becomes covered under any other group plan that does not contain a pre-existing condition limitation or entitled to benefits under Medicare.

TERMINATION OF CONTINUATION OF COVERAGE

TIME LIMITATIONS
1) Employer must notify Plan Administrator (typically the employer) within 30 days of:
   a) Employee death
   b) Employee termination or reduction of hours below minimum of 130 hours per month
   c) Employee eligibility for Medicare
   d) Reservist called up for active military duty
2) “Qualified beneficiary” must notify Plan Administrator within 30 days of:
   a) Divorce or legal separation
   b) Dependent child ceasing to be eligible
3) Administrator must notify “qualified beneficiary” within 14 days of notification of a “Qualifying Event” of his/her election rights. (This is in addition to the Initial Notification contained in the plan documents.)
4) “Qualified beneficiary” then has another 60 days to elect continuation.
5) “Qualified beneficiary” then has another 45 days from the date of the election to make the initial premium payment.

For a child born to or placed for adoption with the covered employee, the covered employee must notify Plan Administrator, obtain enrollment form, complete enrollment form and submit that form to the Plan Administrator within 31 days from the date the child is born to, or placed for adoption, with the covered employee.
COBRA Notification & Administration Responsibilities

Initial Notice
The plan documents issued by Allied contain the required notifications to new employees and dependents entering the plan.

Issue Notification of Eligibility for Continuation
The employer is responsible for issuing the proper notice to the employee within 14 days of when notice of a qualifying event is received. This notice must be made within 30 days of the qualifying event. This event may be for either an employee or dependent. Typically the employer is notified simultaneously with taking an action that caused the qualifying event. In either case, the same notification material needs to be provided. This includes three items – the Employee Notice of COBRA Continuation, Notice of Eligibility for Continuation of Coverage and Cobra Benefit Continuation Election Form. Samples of these forms for the employer’s use is included. A copy of the Notice of Eligibility for Continuation of Coverage should be retained by the employer along with evidence of delivery (notation of hand delivery or postal delivery receipt).

Receipt of Election to Continue Coverage
The Cobra Benefit Continuation Election Form indicates the employee should return it to Allied. Upon Allied’s receipt, a copy of the Notice of Eligibility for Continuation of Coverage will be requested from the employer. If the election form is returned to the employer, please note date received and immediately forward to Allied by email, underwriting@alliednational.com, or fax to 913-945-4397, along with a copy of the Notice of Eligibility for Continuation of Coverage. Allied will process the election request including determination of employee/dependent eligibility for continuation and notify the employer of the election.

Premium Billing & Receipt – Fully Insured Plans
Allied does not provide direct billing to COBRA participants in fully insured plans (except when required by state law). Allied will bill the employer and the employer is responsible for billing the COBRA participant and collecting the funds. The employer may wish to engage a COBRA billing service for this purpose. The employer is responsible for submitting premium for the COBRA participant along with their normal monthly premium payment. If a Cobra participant fails to pay the employer the participant’s coverage will be terminated and any premium paid by the employer on behalf of the participant will be refunded. Notice of the participant’s failure to pay the required premiums must be provided to Allied no later than 30 days following the end of the month for which premium was not paid. Note, the participant has 30 days from the date of the billing notice in which to submit payment to the employer.

Premium Billing & Receipt – Self Funded Plans
Allied provides direct billing to COBRA participants. Allied will bill the participant, collect the funds and combine into the employer’s self-funded plan account.
Notice of Termination
Allied will provide the participant with notice of termination of coverage and notice of any conversion rights.

Second Qualifying Events and Disability Extensions
The COBRA participant is required to provide notice of a second qualifying event or disability extension. This notice may be provided to either the employer or Allied. If it is delivered to the employer, please note date received and immediately forward to Allied by email underwriting@alliednational.com or fax to 913-945-4397. Allied will process the election request including determination of participant’s eligibility for additional continuation rights and notify the employer of the election.

Annual Open Enrollment/Change in Rates
The employer is responsible for giving the participant notice in advance of any changes in the plan benefits and premium. The participant has the right to select any benefit options offered to any regular employee.
NOTIFICATION OF ELIGIBILITY FOR CONTINUATION OF COVERAGE
To be completed by employer and provided to the employee within 14 days.

Employee Name _______________________________ Date of Notice_______________________
Complete Home Address ___________________________________________________________
City ___________________________________State ______ Zip Code _____________________
Name of Employer ________________________Employer Phone #__________________________
Employer Address _________________________________________________________________
Case Number ___________________________Employee Number__________________________

This notice contains important information about your right to continue your health care coverage as well as other health coverage alternatives that may be available to you including coverage through the Health Insurance Marketplace at www.healthcare.gov or call 800-318-2596. Please read the information contained in this notice very carefully.

There may be other coverage options for you and your family. When key parts of the health care law take effect, you’ll be able to buy coverage through the Health Insurance Marketplace. In the Marketplace, you could be eligible for a new kind of tax credit that lowers your monthly premiums right away, and you can see what your premium, deductibles, and out-of-pocket costs will be before you make a decision to enroll. Being eligible for COBRA does not limit your eligibility for coverage for a tax credit through the Marketplace. Additionally, you may qualify for a special enrollment opportunity for another group health plan for which you are eligible (such as a spouse’s plan), even if the plan generally does not accept late enrollees, if you request enrollment within 30 days.

Covered As:  ❑ Employee      ❑ Dependent Spouse    ❑ Dependent Child

Qualifying Event:
❑ Reduction in Work Hours    ❑ Voluntary Termination of Employment
❑ Discharge (Except “gross misconduct”)    ❑ Death of Covered Employee    ❑ Legal Separation    ❑ Divorce
❑ Attainment of Maximum Age of a Dependent Child as Defined Under the Policy
❑ Covered Employee Entitled to Medicare (Title XVIII SSA)
❑ Reservist Called up for Active Military Duty

Current cost of coverage: _____________________
Date of Qualifying Event: _____________________
Signature Date:______________________________
Signature of Authorized Employer representative: ___________________________________

FOR EMPLOYER USE ONLY:
Date Notice of Qualifying Event Received: ________

Notice Package (Employee Notice of Cobra Continuation, Notification of Eligibility for Continuation of Coverage and Cobra Benefit Continuation Election Form) information:
Method of Delivery:__________________________ Date Delivered: ________________

Be sure to retain a copy of this notice
IMPORTANT INFORMATION: COBRA Continuation Coverage and other Health Coverage Alternatives

Please read the information in this notice very carefully before you make your decision. If you choose to elect COBRA continuation coverage, you should use the election form provided later in this notice.

Why am I getting this notice?
You’re getting this notice because your coverage under the Plan will end.

Federal law requires that most group health plans (including this Plan) give employees and their families the opportunity to continue their health care coverage through COBRA continuation coverage when there’s a “qualifying event” that would result in a loss of coverage under an employer’s plan.

What’s COBRA continuation coverage?
COBRA continuation coverage is the same coverage that the Plan gives to other participants or beneficiaries who aren’t getting continuation coverage. Each “qualified beneficiary” (described below) who elects COBRA continuation coverage will have the same rights under the Plan as other participants or beneficiaries covered under the Plan.

Who are the qualified beneficiaries?
Each person (“qualified beneficiary”) in the category(ies) checked on the notice can elect COBRA continuation coverage:

Are there other coverage options besides COBRA Continuation Coverage?
Yes. Instead of enrolling in COBRA continuation coverage, there may be other more affordable coverage options for you and your family through the Health Insurance Marketplace, Medicaid, or other group health plan coverage options (such as a spouse’s plan) through what is called a “special enrollment period.” Some of these options may cost less than COBRA continuation coverage.

You should compare your other coverage options with COBRA continuation coverage and choose the coverage that is best for you. For example, if you move to other coverage you may pay more out of pocket than you would under COBRA because the new coverage may impose a new deductible.

When you lose job-based health coverage, it’s important that you choose carefully between COBRA continuation coverage and other coverage options, because once you’ve made your choice, it can be difficult or impossible to switch to another coverage option.

If I elect COBRA continuation coverage, when will my coverage begin and how long will the coverage last?
COBRA requires that coverage extend from the date of the qualifying event for a limited period of 18 or 36 months, depending on the type of qualifying event.

Continuation coverage may end early in certain circumstances, like failure to pay premiums, fraud, or the individual becomes covered under another group health plan.
Can I extend the length of COBRA continuation coverage?
If you elect continuation coverage, you may be able to extend the length of continuation coverage if a qualified beneficiary is disabled, or if a second qualifying event occurs. You must notify the plan administrator (typically the employer) of a disability or a second qualifying event within a certain time period to extend the period of continuation coverage. If you don’t provide notice of a disability or second qualifying event within the required time period, it will affect your right to extend the period of continuation coverage.

For more information about extending the length of COBRA continuation coverage visit www.dol.gov/ebsa/publications/cobraemployee.html.

How much does COBRA continuation coverage cost?
COBRA continuation coverage will currently cost you the amount shown on the cover.

Other coverage options may cost less. If you choose to elect continuation coverage, you don’t have to send any payment with the Election Form. Additional information about payment will be provided to you after the election form is received by the Plan. Important information about paying your premium can be found at the end of this notice.

You may be able to get coverage through the Health Insurance Marketplace that costs less than COBRA continuation coverage. You can learn more about the Marketplace below.

What is the Health Insurance Marketplace?
The Marketplace offers "one-stop shopping" to find and compare private health insurance options. In the Marketplace, you could be eligible for a new kind of tax credit that lowers your monthly premiums and cost-sharing reductions (amounts that lower your out-of-pocket costs for deductibles, coinsurance, and copayments) right away, and you can see what your premium, deductibles, and out-of-pocket costs will be before you make a decision to enroll. Through the Marketplace you’ll also learn if you qualify for free or low-cost coverage from Medicaid www.healthcare.gov/medicaid-chip/getting-medicaid-chip/ or the Children’s Health Insurance Program (CHIP) www.healthcare.gov/medicaid-chip/childrens-health-insurance-program/. You can access the Marketplace for your state at www.healthcare.gov.

Coverage through the Health Insurance Marketplace may cost less than COBRA continuation coverage. Being offered COBRA continuation coverage won’t limit your eligibility for coverage or for a tax credit through the Marketplace.

When can I enroll in Marketplace coverage?
You always have 60 days from the time you lose your job-based coverage to enroll in the Marketplace. That is because losing your job-based health coverage is a “special enrollment” event. After 60 days your special enrollment period will end and you may not be able to enroll, so you should take action right away. In addition, during what is called an “open enrollment” period, anyone can enroll in Marketplace coverage.

To find out more about enrolling in the Marketplace, such as when the next open enrollment period will be and what you need to know about qualifying events and special enrollment periods, visit www.healthcare.gov.
If I sign up for COBRA continuation coverage, can I switch to coverage in the Marketplace? What about if I choose Marketplace coverage and want to switch back to COBRA continuation coverage?

If you sign up for COBRA continuation coverage, you can switch to a Marketplace plan during a Marketplace open enrollment period. You can also end your COBRA continuation coverage early and switch to a Marketplace plan if you have another qualifying event such as marriage or birth of a child through something called a “special enrollment period.” But be careful though - if you terminate your COBRA continuation coverage early without another qualifying event, you’ll have to wait to enroll in Marketplace coverage until the next open enrollment period, and could end up without any health coverage in the interim.

Once you’ve exhausted your COBRA continuation coverage and the coverage expires, you’ll be eligible to enroll in Marketplace coverage through a special enrollment period, even if Marketplace open enrollment has ended.

If you sign up for Marketplace coverage instead of COBRA continuation coverage, you cannot switch to COBRA continuation coverage under any circumstances.

Can I enroll in another group health plan?

You may be eligible to enroll in coverage under another group health plan (like a spouse’s plan), if you request enrollment within 30 days of the loss of coverage.

If you or your dependent chooses to elect COBRA continuation coverage instead of enrolling in another group health plan for which you’re eligible, you’ll have another opportunity to enroll in the other group health plan within 30 days of losing your COBRA continuation coverage.

What factors should I consider when choosing coverage options?

When considering your options for health coverage, you may want to think about:

- **Premiums**: Your previous plan can charge up to 102% of total plan premiums for COBRA coverage. Other options, like coverage on a spouse’s plan or through the Marketplace, may be less expensive.
- **Provider Networks**: If you’re currently getting care or treatment for a condition, a change in your health coverage may affect your access to a particular health care provider. You may want to check to see if your current health care providers participate in a network as you consider options for health coverage.
- **Drug Formularies**: If you’re currently taking medication, a change in your health coverage may affect your costs for medication – and in some cases, your medication may not be covered by another plan. You may want to check to see if your current medications are listed in drug formularies for other health coverage.
- **Severance payments**: If you lost your job and got a severance package from your former employer, your former employer may have offered to pay some or all of your COBRA payments for a period of time. In this scenario, you may want to contact the Department of Labor at 866-444-3272 to discuss your options.
- **Service Areas**: Some plans limit their benefits to specific service or coverage areas – so if you move to another area of the country, you may not be able to use your benefits. You may want to see if your plan has a service or coverage area, or other similar limitations.
- **Other Cost-Sharing**: In addition to premiums or contributions for health coverage, you probably pay copayments, deductibles, coinsurance, or other amounts as you use your benefits. You may want to check to see what the cost-sharing requirements are for other health coverage options. For example, one option may have much lower monthly premiums, but a much higher deductible and higher copayments.
For more information
This notice doesn’t fully describe continuation coverage or other rights under the Plan. More information about continuation coverage and your rights under the Plan is available in your summary plan description or from the Plan Administrator.

If you have questions about the information in this notice, your rights to coverage, or if you want a copy of your summary plan description, contact your plan administrator or employer.

For more information about your rights under the Employee Retirement Income Security Act (ERISA), including COBRA, the Patient Protection and Affordable Care Act, and other laws affecting group health plans, visit the U.S. Department of Labor’s Employee Benefits Security Administration (EBSA) website at www.dol.gov/ebsa or call their toll-free number at 866-444-3272. For more information about health insurance options available through the Health Insurance Marketplace, and to locate an assister in your area who you can talk to about the different options, visit www.healthcare.gov.

Keep Your Plan Informed of Address Changes
To protect your and your family’s rights, keep the Plan Administrator informed of any changes in your address and the addresses of family members. You should also keep a copy of any notices you send to the Plan Administrator.

Plan Benefit Administrator:
Allied National, Inc.
P.O. Box 29187
Shawnee Mission, KS 66201-9187
(913) 945-4100
(800) 825-7531
(913) 945-4397 (FAX)
clientservices@alliednational.com
COBRA BENEFIT CONTINUATION ELECTION FORM

Employee Name ___________________________  Employee Number _____________________
Case Name _______________________________  Case Number _________________________
Employee Address ________________________________________________________________
City, State, Zip ____________________________________________________________________
Date of Qualifying Event _____________________

As an employee, or recent employee, of a firm subject to the Consolidated Budget Reconciliation Act of 1986 (COBRA) Public Act 99-272, Title X, who has lost access to group health coverage, I understand my right to elect (or reject) the option to continue group health coverage under my employer’s plan. I understand that if I, my spouse or eligible dependent child, do not return this form to the Benefit Administrator or the Employer, within 60 days after the date of this notice (or after the date that coverage is lost, whichever is later), all rights to continuation are waived.

I understand that an EMPLOYEE may continue coverage upon the occurrence of the following events by completion of this Election Form and that payment of charges from the termination date of coverage as described in the Certificate is required:

1. Termination of employment (except for Gross misconduct).
2. Reduction in hours below the minimum required for eligibility (130 hours per month).

Employee’s SPOUSE AND/OR ELIGIBLE DEPENDENTS may continue their coverage upon the occurrence of the following events by completion of this Election Form and payment of charges from the termination date of coverage as described in the Certificate.

1. The employee’s death.
2. The spouse becomes legally separated or divorced from the employee.
3. The employee becomes Medicare-eligible and has chosen NOT to participate in the employer-sponsored plan.
4. Termination or reduction in hours of the employee (as above).
5. Attainment of the limiting age for dependent children.

As the spouse of the above-named employee, I also understand my right to the continuation option.

List dependent children (if any) to be covered by Continuation:

Full Name _______________________  Birth Date _________ Social Security # ______________
Full Name _______________________  Birth Date _________ Social Security # ______________
Full Name _______________________  Birth Date _________ Social Security # ______________

Employee sign here and return to elect continuation.
Any election made by the spouse constitutes election made by all eligible dependents.

________________________________________________________________________________
Signature of Employee  Date
________________________________________________________________________________
Signature of Spouse  Date  Social Security #
________________________________________________________________________________
Signature (s) of Over 18 Age Child(ren)

Please Return Completed and Signed Copy At Once To Benefit Administrator:
Allied National, P.O. Box 29187, Shawnee Mission, KS 66201-9187 underwriting@alliednational.com fax: 913-945-4390

Provide to employee along with the Important Notice & Notice of Eligibility when qualifying event occurs.
Important Information About Payment

First payment for continuation coverage

You must make your first payment for continuation coverage no later than 45 days after the date of your election (this is the date the Election Notice is postmarked). If you make your first payment in full later than 45 days after the date of your election, you’ll lose all continuation coverage rights under the Plan. You’re responsible for making sure that the amount of your first payment is correct. Contact Allied’s Client Services team by phone at 800-825-7531 or email clientservices@alliednational.com to confirm the correct amount of your first payment.

After you make your first payment for continuation coverage, you’ll have to make periodic payments for each coverage period that follows. The amount due for each coverage period for each qualified beneficiary is shown in this notice. The periodic payments can be made on a monthly basis. Under the Plan, each of these periodic payments for continuation coverage is due the first of the month for that coverage period. If you make a periodic payment on or before the first day of the coverage period to which it applies, your coverage under the Plan will continue for that coverage period without any break. The Plan will send periodic notices of payments due for these coverage periods.

Although periodic payments are due on the dates shown above, you’ll be given a grace period of 30 days after the first day of the coverage period to make each periodic payment. You’ll get continuation coverage for each coverage period as long as payment for that coverage period is made before the end of the grace period.

If you don’t make a periodic payment before the end of the grace period for that coverage period, you’ll lose all rights to continuation coverage under the Plan.

Your first payment and all periodic payments for continuation coverage should be sent to:

Allied National, Inc.
P.O. Box 29187
Shawnee Mission, KS 66201-9187