



# Benecorp

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# Benefits Beat



Message from  
Michael Kerner  
~President~

For those who have called us with an issue with whatever flavor of insurance you have, you most likely spoke with Polly Hopkins. Although Polly has been an Account Manager with us for almost a year, we are so proud to introduce her to the rest of you. She brings with her decades of experience in the tech sector and the world of non-profit organizations. Her ever-present smile and sunny disposition give her the proper tools to weigh in on serious claims and billing issues with the insurance carrier community

Meanwhile, our Marketing Manager, Shawna Phillips, has relocated to a farm in Missouri, but will continue to work remotely. She has been a rock-steady part of our staff for several years now, and we are grateful for her contributions to Social Media postings and client document preparation.

We are always in the hunt for great new team members, and we are specifically looking for a data entry and general administration person. This position can be part-time with flexible hours.

My heartfelt thanks for our carrier reps and others who stood with us as we came through January group renewals and the Medicare Annual Election Period. 2021 was a record-breaking year for us and we couldn't have done it without you!

## IS YOUR COMPANY COBRA-ELIGIBLE?

Source: *Inc.* Magazine online

*For many of our mid-size clients, this question can be a confusing one. Read on to learn how to comply with this federal law.*

The Consolidated Omnibus Budget Reconciliation Act (COBRA), first enacted in 1985 and revised in 1999, is a federal law that requires most employers to provide continuing health insurance coverage to employees and their dependents who are no longer eligible for the company's health insurance program.

COBRA applies to nearly all businesses that have **more than 20 employees in more than 50% of their typical business days in the previous calendar year and offer a group health care plan**. The only exceptions are churches, church-related tax-exempt organizations, and some federal employees.

### *What triggers COBRA?*

Employees can lose eligibility for coverage by terminating their employment, reducing their working hours, becoming eligible for Medicare, or in several other ways. Businesses that meet the threshold above must give employees the option of continuing coverage at their own expense for a limited period when they lose eligibility for company-provided benefits.

### *What if my company fails to comply?*

There are severe financial penalties for your business for noncompliance, including a fine of \$100 per day for failure to notify an employee of his or her COBRA rights. You may even lose your tax deduction for your group insurance plan. Additionally, you might be held liable for damages, including workers' medical costs and legal fees.

*(Continued on reverse)*

### *About Polly*

With decades of management experience in the consulting world, Polly has hired and mentored many teams over her career. Her focus is on providing thoughtful and accurate guidance to help people succeed in their roles. She has been a frequent participant in industry panels, with a focus on diversity and inclusion in hiring.



## **COBRA** (cont. from first page)

As a result of these potential penalties, many companies outsource their COBRA administration to experienced third-party groups.

### ***Who is eligible for COBRA benefits?***

Companies subject to COBRA are required to offer continuation coverage to “all qualified beneficiaries,” a category that includes employees, spouses, domestic partners, children, and retirees who were covered under the company’s group health insurance plan up until they lost coverage through a “qualifying event.” Companies are not required to offer COBRA benefits to employees who were not eligible for or declined to participate in the group plan, or were eligible for Medicare benefits.

### ***Define a “qualifying event” please!***

Events that can activate COBRA provisions include voluntary or involuntary termination of employment, a reduction in hours from full to part-time, a failure to return to work after taking family or medical leave, a call for active military duty, or the bankruptcy of the business. An employee’s spouse or dependents can also qualify for benefits--provided they were covered by the group health plan—upon the employee’s death, the couple’s separation or divorce, or a dependent’s change in eligibility status (i.e. a child reaches an age at which he or she no longer qualifies for coverage under the employee’s insurance.) The company may deny COBRA coverage to an employee who was involuntarily terminated due to willful, job-related conduct. However, since these cases often end up in federal court, you should carefully weigh the expense of potential court costs against the expense of providing continuation of coverage.

### ***What coverage am I required to provide?***

Following a qualifying event, the company is required to provide the option to continue coverage under all health care plans, medical spending accounts, dental, vision, and hearing plans, prescription drug programs, substance abuse and mental health programs that are offered to regular employees. **Not** required are continuation of group life or disability insurance, retirement plans, or vacation plans.

### ***How long does COBRA coverage last?***

Under normal circumstances, COBRA coverage lasts a maximum of 18 months, extended to 29 months for dependents, or if the employee becomes disabled. If the employee qualifies for COBRA for a reason other than termination of employment or reduction of hours—or experiences a second qualifying event during the standard COBRA coverage period, the time limit may be extended to 36 months.

### ***What are the costs?***

The employee pays 100% of the costs of insurance under COBRA, plus a 2% surcharge to help the employer cover administrative expenses. The employer is entitled to terminate coverage if payments are late, but must allow a 30-day grace period.

### ***What are my responsibilities as an employer?***

You are responsible for timely communication about continuation of coverage to your employees at several key junctures: when they first join your company’s group health insurance plan (which may be satisfied by information provided upon hire), and again after a qualifying event. You are required to notify your group health plan administrator (the carrier) within 30 days of the event. They then have 14 days to notify the employee of their COBRA rights. If you self-administer, you have the entire 44-day period in which to issue a COBRA election notice. The employee has 60 days to decide whether to continue coverage. If so, it’s retroactive to the time of the qualifying event so that there is no coverage lapse.

Compliance with COBRA and the various state laws governing health insurance continuation can be tricky and expensive.

**Benecorp** clients benefit from guidance on this and many other HR issues, free of charge. Let us take the burden off you and your staff so you can focus on your core business!

Call us at **206-414-4635** or email [benecorpph@gmail.com](mailto:benecorpph@gmail.com) for help with your HR questions.