

COBRA ADMINISTRATION GUIDE

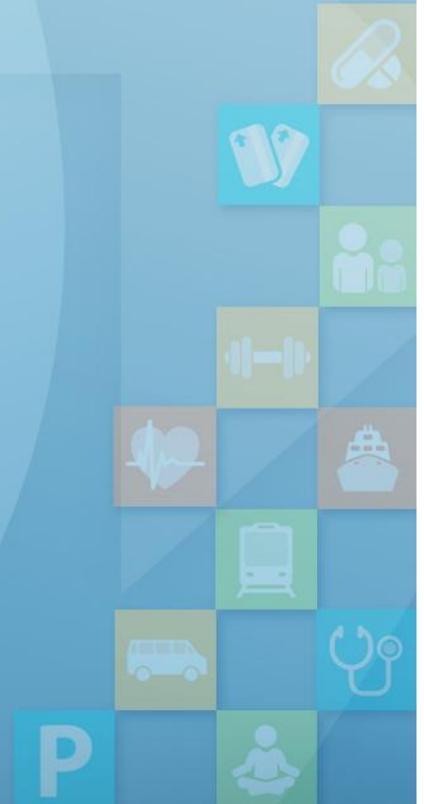


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INTRODUCTION

This “COBRA Administration Guide” is designed to provide you with steps to assist with your implementation and the “on-going” administrative processes throughout the year. This guide is divided into three sections for ease in locating the necessary information.

- **Section I – Introduction to COBRA Administration**
- **Section II – Implementation Process**
- **Section III – On-Going Administration**

Each client is assigned a Client Services Team to assist with COBRA administrative needs. Each team member is trained in COBRA regulations and customer service protocols to provide you with the best service possible. The primary responsibility of the Client Services Team is to understand the needs of the client, be responsive to HR staff calls and emails, research specific HR questions and issues, ensure HR satisfaction and interface with a client’s broker or consultant.

Customer Service Representatives and COBRA Operations Processors assist your Client Services Team. The role of Customer Service Representatives is to handle all QB calls, inquiries, as well as provide guidance and suggestions for QBs to help them receive the highest level of service. COBRA Operational Processors process all incoming and outgoing COBRA enrollments carrier eligibility reporting and the maintenance of all Qualified Beneficiary (QBs) accounts.

SECTION I – INTRODUCTION TO COBRA ADMINISTRATION

WHAT IS COBRA?

The Consolidated Omnibus Budget Reconciliation Act (COBRA) of 1985 imposed health care continuation requirements on certain group health plans. Coverage required under these regulations is referred to as COBRA continuation coverage. COBRA applies to plan years beginning after July 1, 1986 and was codified as Section 4980B of the Internal Revenue Code, Sections 601 through 608 of ERISA and Title XXII of the Public Health Service Act. The Department of Labor (DOL) and Internal Revenue Service (IRS) originally published proposed regulations interpreting COBRA requirements in the Federal Register June 15, 1987 with regulation and enforcement notices. Regulations have been updated on several occasions since that time.

Employers with more than 20 employees on more than 50% of typical business days in the prior calendar year are subject to complying with COBRA for Qualifying Events. Employers with fewer than 20 employees, along with certain church plans and federal governments, are not subject to COBRA.

Plans that are subject to COBRA include group health plans, such as medical, dental, vision, Employee Assistance Plans (EAP) that provide a visit component, Health Care Spending Accounts (only if under spent), and Health Reimbursement Arrangements.

Under COBRA, employees and their covered dependents can elect a temporary extension of their health benefits in certain instances where their group coverage would normally end. The extended coverage may be continued for 18 to 36 months, depending on the Qualifying Event. The benefits offered to the employees and dependents under COBRA, must be the same benefits they had prior to the Qualifying Event.

WHAT IS ARRA?

The American Recovery and Reinvestment Act (ARRA) was signed into law on February 17, 2009 and provides Government funded COBRA premium reduction assistance equal to 65% of the COBRA premium to COBRA QBs who are deemed to be an Assistance Eligible Individual (AEI). See section “Understanding ARRA” for additional information on ARRA.

GLOSSARY

Within this guide, references to “the Client” are noted as “you” or “your”.

- 1.01 **ARRA** - American Recovery and Reinvestment Act. The Act provides a 65% premium reduction to eligible QBs that qualify under COBRA for plans such as medical, dental and vision.
- 1.02 **COBRA Administration** - The notification and management of COBRA rights to employees and QBs.
- 1.03 **Disability Extension** - A QB who is or becomes disabled while on COBRA may be allowed an additional 11 months of COBRA benefits.
- 1.04 **DOL** - Department of Labor.
- 1.05 **Domestic Partner (DP)** - A person other than the spouse, who resides with the QB or employee. A domestic partner does not have the same rights under COBRA as a spouse under Federal COBRA regulations.
- 1.06 **General Notice** - The first notice provided to active employees and spouses (if applicable) when they become enrolled in or covered by a COBRA eligible benefit, informing them of their COBRA rights upon a Qualifying Event.
- 1.07 **Medicare** - A program established under the U.S. Social Security Administration that reimburses hospitals and physicians for medical care provided to qualifying people.
- 1.08 **Qualified Beneficiary (QB)** - A person who has incurred a Qualifying Event and is now entitled to COBRA. The QB can be the employee, spouse, or dependent child of the employee.
- 1.09 **Qualifying Event** - The event that has occurred (such as termination, reduction in hours, divorce or death) that allows the QB to qualify for COBRA benefits.
- 1.10 **Qualifying Event Notice** - The notice that is sent to the QB and eligible dependents, notifying them of the Qualifying Event that entitles them to COBRA benefits.
- 1.11 **State Continuation Coverage** - In certain states, there may be a state mandated COBRA continuation period for QBs. Each state’s law as it applies to state continuation will vary in offerings.

SECTION II - IMPLEMENTATION PROCESS

IMPLEMENTING YOUR ACCOUNT

The implementation process begins when WageWorks receives a completed Plan Survey (Client Application) and set-up fee (if applicable). These items provide WageWorks with the information needed to establish your account and begin the implementation process.

Implementation Process



1 Requirements Definition	2 Configuration	3 Files & Testing	4 Communication	5 Launch
<ul style="list-style-type: none"> Project Kick-Off Plan Survey: Client specific benefit plans, rates, requirements, design, reporting, billing, banking, etc. Development of Project Timeline Weekly Calls: agenda, meeting summary, status reports 	<ul style="list-style-type: none"> Establish Client system structure Establish Client benefits structure Discuss WW file specification format requirements: QE file, DOL file, and takeover file Carrier eligibility file specifications and mapping structures 	<ul style="list-style-type: none"> FTP credentials Client QE files Client DOL Initial Notice files Client takeover files Carrier eligibility files <ul style="list-style-type: none"> Medical Rx Dental Vision 	<ul style="list-style-type: none"> Client to review and approve <i>New COBRA Administrator Letter</i> mailed to enrolled and pending participants WW to provide sample participant letter set to client Employer training on web site <ul style="list-style-type: none"> Manual entry Web reports 	<ul style="list-style-type: none"> Mail <i>New COBRA Administrator Letter</i> to enrolled and pending participants Communicate to all WW functional areas with detail of new client Transition Client from Implementation to Client Services

BANKING ARRANGEMENTS

The following will detail the banking arrangements for COBRA Administrative Services.

Make Checks Payable to WageWorks and Send to Lockbox

- QBs will send their premium payments with coupon to the designated WageWorks owned lockbox.
- Checks will be processed by WageWorks each business day, excluding weekends and holidays.

As a standard practice, on a monthly basis, the client will receive one check/ACH deposit from WageWorks for all premiums received, less the 2% administrative fee. The client is responsible for paying the carrier bill as stated in the Contract for Services.

ELECTRONIC FILE TASKS

WageWorks requires that an implementation process be followed when creating your files for COBRA data. The following tasks that must be completed are:

Client Reviews Applicable File Specifications

- WageWorks schedules a conference call with Client and Third Party Administrator, such as eligibility administrator, to review file specifications, submission of data, processes and testing schedule if applicable.

Client Produces Initial Test File

- WageWorks will provide file results within 2 business days of receipt of test file.

Client Produces Second Test File (If Needed)

- If necessary WageWorks will provide file results within 2 business days of receipt of second test file.
- Test files must be certified as completed or correct before going "Live".

Client Produces "Live" Participant Data File

- WageWorks will begin using "Live" data files.

IMPORTANT NOTE – WageWorks must receive 2 clean test files in a row prior to going "Live".

TAKEOVER INFORMATION

Currently Enrolled & Pending QBs

In order to assume responsibility for your COBRA administrative services, WageWorks first needs to track all pending COBRA enrollees.

You must notify WageWorks of all pending QBs in order to takeover tracking their COBRA eligibility. To gather this information, you may provide WageWorks with a data file according to required file specifications or via a provided Excel spreadsheet. WageWorks will begin the administration for all your currently enrolled QBs as well.

Once the takeover information is received, WageWorks will import this information into the COBRA system. WageWorks will then produce and send a “New Administrator Letter” advising QBs of the change in administrator along with new premium coupons.

IMPORTANT NOTE: The takeover file format will not be the method used for submitting future COBRA Qualifying Event notifications. For details on options available for notifying WageWorks of Qualifying Events and/or new hires, see WageWorks’ COBRA Web Site User Guide or COBRA file specifications.

Current Active Employees for DOL General Notice

Many new clients request WageWorks to send out a “blanket” DOL General Notice to all current employees and spouses (as applicable). If this service is requested, a file must be provided with the required demographic information for all benefit eligible employees and their spouses. Sending this blanket DOL General Notice may not be needed if you are confident that DOL General Notices have been sent out to all covered employees (typically as a new hire or when they become benefit eligible) and spouses within 90 days of eligibility as required by the DOL.

If you are not confident that either:

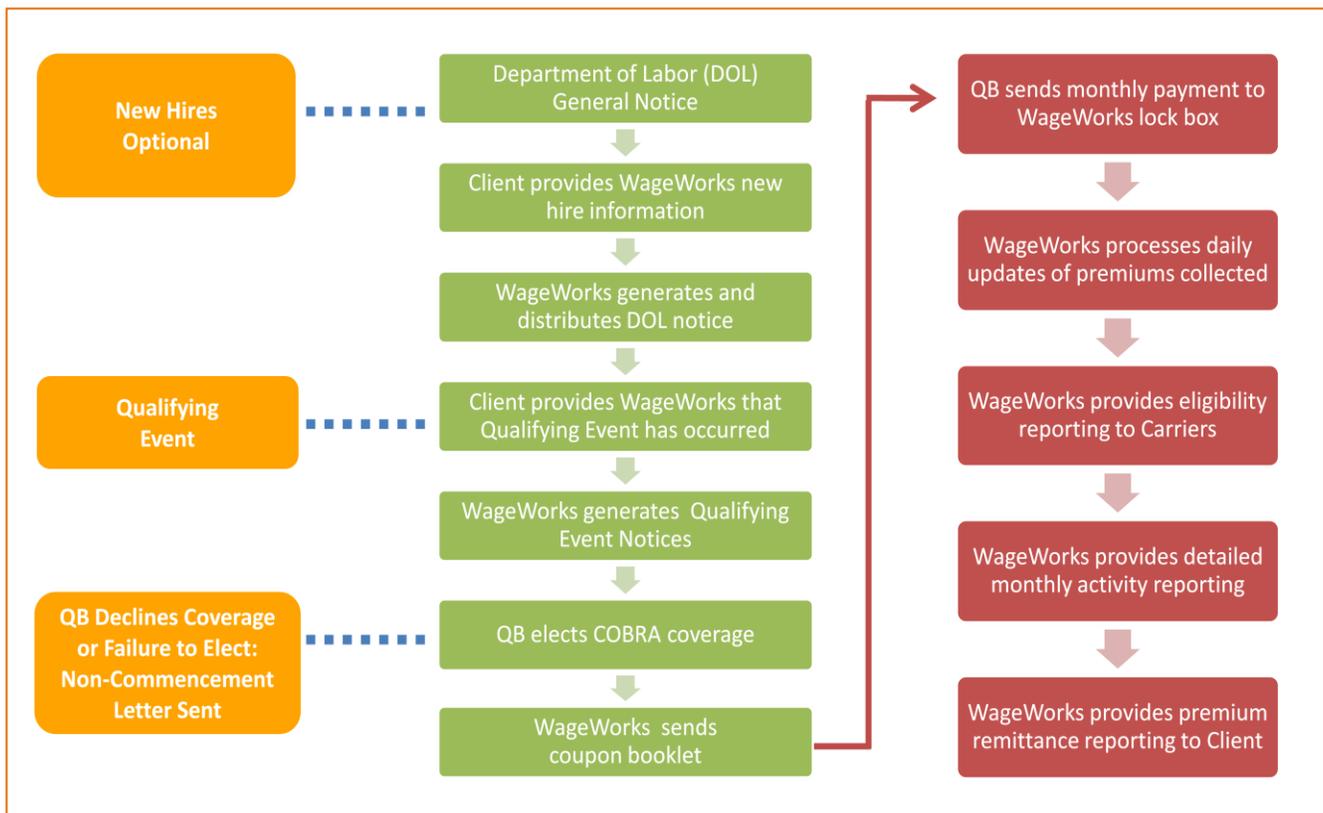
- The notices have been mailed regularly to both the employee and the spouse (if applicable), or;
- The notice is not in compliance with DOL regulations.

You may want to take the extra step to ensure compliance in this regard. WageWorks can send a notice to all current benefit eligible employees and spouses (as applicable). Refer to the Contract for Service for applicable fees.

CARRIER CHANGES

It is very important that you notify each insurance carrier that you have retained WageWorks to provide COBRA administrative services and all COBRA enrollments and terminations will be reported by WageWorks. In addition, it is vital that each carrier be required to review the monthly COBRA reports WageWorks will send to them on your behalf so all enrollments and terminations are processed timely. This is especially important so that you do not continue to be billed for QBs who have terminated COBRA coverage during any given month. A letter template is available upon request.

SECTION III - ON-GOING ADMINISTRATION



NEW HIRES / NEW BENEFIT ELIGIBLE EMPLOYEES – DOL NOTICES

When a new hire or existing employee becomes eligible for benefits, you will need to send the required information to WageWorks via entering on WageWorks’ web site or by electronic file submission. If the employee is covering a spouse, be sure to include the spouse’s information as well.

Upon WageWorks receiving the employee (and spouse) information in an approved format, WageWorks will produce the DOL General Notice. This letter describes the rights of the covered employee (and dependents if covered) in the event of a loss of coverage. Copies of the letters are saved along with a “proof of mailing”.

If one of your employees gets married and adds the new spouse to one of the COBRA eligible benefits, the spouse must be sent a DOL General Notice. Send the information for the spouse to WageWorks and the required correspondence will be generated and mailed. Likewise, if one of your employees enrolls in one of the COBRA eligible benefits for the first time during OE, the employee and spouse (if covered) should be sent a DOL General Notice.

QUALIFYING EVENT PROCESS

Qualifying Events

In order to be considered a Qualifying Event, two things must occur. There must be a Qualifying Event and a loss of coverage. The seven Qualifying Events that trigger the offering of COBRA continuation coverage are:

- Termination of Covered Employee's Employment
- Retirement
- Covered Employee Becoming Entitled to Medicare
- Death of a Covered Employee
- Ceasing to be a Dependent Child under the Terms of the Plan (age, full time school status, etc.)
- Reduction of Covered Employee's Hours of Employment
- Divorce or Legal Separation from the Covered Employee

COBRA becomes available following the loss of coverage and coverage must be for the same COBRA eligible plans that the employee had on the last date of coverage. This assures that the employee will have no "gap" in coverage. Although WageWorks may send out a different type of letter depending on the type of triggering event, your responsibilities are the same in any case:

- Contact the carrier(s) involved and terminate the benefits of the employee on the effective date determined by the plan (i.e. on the last day of the month or date of termination).
- Gather the necessary information and send it to WageWorks. Be sure to include the reason for loss of coverage so the appropriate letter can be sent to the appropriate person.

Severance / Reduction in Force (RIF)

Some companies choose to include reference to COBRA benefits in a severance agreement with terminating employees. WageWorks can assist you with this; however, accurate information regarding the agreement and who is affected must be provided. The 2% fee that is retained by WageWorks will apply to the entire COBRA premium regardless of who is paying the premiums. The company may elect one of the following options:

- Extending alternative coverage **prior** to offering COBRA – You can offer to continue the coverage of the employee exactly as is by paying the total cost of the benefits or by requiring the employee to continue to pay some portion of the benefit cost. In this scenario, COBRA won't begin until there is a "loss of coverage." If this is the method of choice, then treat the former employee as active for benefit purposes and report the event to WageWorks once the alternate paid coverage period has expired; using the date coverage is lost as the COBRA start date.
- Paying the COBRA premium for a specified period (subsidy) – This is the more common approach as it limits the COBRA liability of the employer to a shorter period of time. In this case, COBRA begins as normally expected and the company is responsible for paying all or a portion of the premium for the specified period of time. In this case, send WageWorks the employee information at the time of the Qualifying Event and indicate the amount of the subsidy you will covering (either a percentage or a flat dollar amount) and the subsidy end date (how long you will pay for the COBRA benefits).

It is also not uncommon for a company to lay off a group of people all at once due to a RIF. WageWorks can accommodate these events as long as the appropriate notice and information is received. If this group will have a specific severance package, WageWorks can accommodate this as well. WageWorks will need all of the standard information, plus any information specific and common to this RIF group.

Additional COBRA Eligible Plans

Health Care Spending Account (HCSA)

If the terminating employee has a Health Care Spending Account (also known as Health FSA), COBRA may apply. The QB would be eligible for COBRA if there is a positive Health Care Spending Account balance (taking into account all submitted and approved claims minus the year-to-date payroll deposits made) at the time of a Qualifying Event. This is known as an "under-spent HCSA". The QB may elect to continue their Health Care Spending Account only until the end of the plan year in which the Qualifying Event occurred.

COBRA is not available to the QB, (taking into account all claims submitted and approved claims minus payroll deposits made on or before the date of the Qualifying Event) if the remaining Health Care Spending Account balance for the Plan Year is in a deficit position. This is known as an “over-spent HCSA.”

Health Reimbursement Arrangement (HRA)

If the terminating employee has a Health Reimbursement Arrangement then COBRA may apply to this benefit. The QB would be eligible for COBRA if they had any remaining funds in their Health Reimbursement Arrangement at the time of a Qualifying Event. Coverage may be continued for the full 18 or 36 months and premiums are the responsibility of the QB.

IMPORTANT NOTE - *In addition to the QB's eligibility for the Health Care Spending Account and/or Health Reimbursement Arrangement, a spouse or dependent that loses coverage may also be eligible to have an individual HCSA or HRA on COBRA.*

Health Savings Accounts (HSA)

Health Savings Accounts (HSAs) are tax-favored IRA-type trust accounts that “eligible individuals” covered by certain high-deductible health plans (HDHPs) can establish to pay for certain medical expenses. In general, it is unlikely that an employee would want to elect COBRA coverage for an HSA after termination of employment; amounts contributed to HSAs are non-forfeitable and contributions can continue after termination of employment without a COBRA election.

Group Term Life Insurance Plans (GTL)

COBRA does not apply to most GTL plans because GTL plans do not provide medical care. But each GTL plan must be examined carefully to ensure that no ancillary benefits for medical care are present. If benefits for medical care are present, COBRA applies to that part of the plan.

COBRA Qualifying Event Notification Package

Once the Qualifying Event information is received by WageWorks, a Qualifying Event Notification package will be produced and includes:

- Qualifying Event Letter
- COBRA Enrollment Form
- Dependent's Enrollment Form (if applicable)
- Premium Computation Form
- HIPAA Certificate of Coverage
- ARRA Notification and ARRA Enrollment Form (if applicable)

COBRA Enrollment

When WageWorks receives an enrollment form from a new QB, their election is recorded, dependents are entered or updated and indicative information is updated as needed (e.g. address changes). Once full payment is received, WageWorks will notify the carrier(s) of the reinstatement of coverage. This is typically done within 72 hours of the time that the full payment is entered into WageWorks' system. Most carrier updates are done via email, fax or data file feed to the applicable carriers. Online enrollment updates to carrier web sites or eligibility vendor web sites are another method of updating QB information.

WageWorks will then generate an Enrollment Confirmation letter to the QB. If payment is outstanding, WageWorks will notify the QB of the payment amount required before coverage can be reinstated. Included with this Enrollment Confirmation letter are payment coupons for the QB to use to remit payments to WageWorks on a monthly basis.

In most cases, when a current QB needs to add a new dependent onto their coverage, this information will come directly to WageWorks. When WageWorks is informed that there has been a birth, adoption or marriage of the QB, WageWorks will update the system and send updated rates and coupons. WageWorks will notify Carriers of the update.

Upon written notice that a QB wants to drop a dependent from COBRA, WageWorks will notify the carrier and issue revised premium coupons to the QB, if necessary. A signature is required from the dependent waiving coverage if he/she is of legal age.

In the event that a former employee (out of habit or misunderstanding) contacts you, simply forward the information to WageWorks to work directly with the QB.

From time to time, WageWorks may be notified of a Qualified Medical Child Support Order (QMCSO). WageWorks will always comply with the terms of a court order, notifying the affected QBs accordingly.

COBRA Payment Made by QB

COBRA payments are due from the QB on the first of the month; however, a 30 day grace period is required under Federal COBRA regulations. WageWorks posts payments received into WageWorks' system each business day excluding weekend and holidays. Since being timely is crucial to COBRA participation, special attention is paid to the postmark on the envelope. If a payment is late, WageWorks will follow the guidelines established by the Federal COBRA regulations and terminate the COBRA coverage retroactively to the last full month that a premium payment was received.

If payments are not received by the 15th of the month during which they are due, WageWorks will send out a Premium Reminder Notice to the QB. If payments received are less than the required amount, WageWorks will send out a Partial Payment letter advising of the additional funds required to complete payment for the month.

Termination of COBRA

Upon receipt of written notice that a QB wants to terminate coverage (prior to the end of their maximum coverage period), WageWorks will generate a confirmation letter stating that the COBRA continuation coverage is being terminated at their request. Carriers will be notified of the termination within 2 business days.

If a QB fails to make their timely payment for COBRA coverage, WageWorks will terminate their COBRA coverage retroactively to the last full month that premium payment was received. WageWorks will generate a confirmation letter stating that the COBRA continuation coverage is being terminated due to failure to make a payment.

Approximately 90 days prior to the COBRA end date at the end of the maximum coverage period, WageWorks will generate a letter stating that COBRA coverage will be ending on a specified date and inform the QB of any conversion rights (where applicable). Another letter is sent to confirm termination of coverage at the end of the maximum COBRA period.

State Continuation Coverage

If your medical plans are established in a state that offers additional COBRA coverage under the New York (NY) State continuation program, WageWorks can assist with notifying the QB of this available option. Typically, carriers administer the state continuation process with the QB enrolling and remitting payments directly to the insurance carriers.

ADDITIONAL ELIGIBILITY AND PLAN GUIDELINES

Medicare Eligibility

If at any point in time while on COBRA continuation coverage, a QB becomes eligible and enrolled in Medicare, they must notify WageWorks of the entitlement to Medicare. Medical coverage on COBRA will then be terminated for the person who is on Medicare; however, they may continue to receive all other COBRA benefits (dental, vision, etc.) up to the remainder of their maximum eligibility period. Any dependents of the QB that are not entitled to Medicare will continue to receive their medical coverage (and all other coverage) through COBRA up to the remainder of their maximum eligibility period. If a QB becomes entitled to Medicare prior to being covered on COBRA continuation coverage, the QB may be allowed to elect all COBRA plans (medical, dental, vision, etc.) for the maximum eligibility period of COBRA coverage.

Disability Extension

If a QB becomes disabled in the first 60 days of COBRA, they will need to notify WageWorks of the Social Security disability determination and provide a copy of their “Notice of Award”. This notification must be received within 60 days of the determination and prior to the exhaustion of the 18 month coverage period. This will then extend the COBRA coverage for an additional 11 months.

If a QB loses disability status while on COBRA, they will need to notify WageWorks of the Social Security disability determination. This notification must be received within 30 days of the determination.

Domestic Partner (DP) Coverage

If your company makes provisions for covering domestic partners, you have the option to offer COBRA coverage to DPs, as well, in order to follow the regulations that require the continuation coverage to be identical to that which the employee had before the COBRA event. If similarly situated active employees are able to add a DP during OE, then you may wish to extend this offering to COBRA QBs as well.

However, because the Defense of Marriage Act defines the term marriage as husband, wife, and spouse; DPs are not considered to be QBs under COBRA law. That is, they do not have independent election rights under COBRA regulations. However, a plan may choose to be more generous than the law requires and offer independent election rights to DPs under a self-insured plan or, with insurance company approval, even under a fully insured plan. It is WageWorks recommendation that you review the question of whether to offer COBRA continuation coverage to DPs with your ERISA counsel.

IMPORTANT NOTE: DPs are not eligible for the ARRA premium reduction assistance.

UNDERSTANDING ARRA

The American Recovery and Reinvestment Act (ARRA) was signed into law on February 17, 2009 and has been amended under the Department of Defense Appropriations Act of 2010, the Temporary Extension Act of 2010 and the Continuation Extension Act of 2010. This Act provides Government funded COBRA premium reduction assistance equal to 65% of the COBRA premium for up to 15 months of coverage to COBRA QBs who are deemed to be Assistance Eligible Individuals (AEI). To be eligible for this assistance an AEI must meet all of the following criteria:

- They must have been offered COBRA continuation coverage due to an event of involuntary termination of employment from September 1, 2008 to May 31, 2010;
- They must not be eligible for coverage under any other group health plan, such as a plan sponsored by a future employer or a spouse's employer and;
- They must not be eligible for Medicare.

ARRA premium reduction assistance applies to periods of coverage on or after February 17, 2009 and can last up to 15 months.

Reduction of Hours with an Involuntary Termination

If a QB incurred an original Qualifying Event of reduction of hours between September 1, 2009 and May 31, 2010 and also was involuntarily terminated from employment between March 2, 2010 and May 31, 2010, they may be eligible for ARRA premium reduction assistance. The ARRA reduction assistance eligibility would become effective the day following their involuntary termination date.

If a QB did not originally elect COBRA with their reduction of hours event, they will be given a second chance to make a COBRA election. The effective date of COBRA coverage will start based off their involuntary termination date, however their COBRA maximum duration will be based off of when their original Qualifying Event (reduction of hours) occurred.

Special Enrollment Right Option

ARRA also allows employers a special enrollment right which would allow the employer to offer the option of allowing their AEIs the ability to change health plans in which they are currently enrolled (if actively on COBRA) or had at the time of their Qualifying Event (if never enrolled/terminated from COBRA) to a less expensive plan. This is an optional provision of ARRA and left to the discretion of the employer to allow. In order for an AEI to take advantage of this special enrollment right, they must follow mandatory requirements:

- The premium for the other coverage option(s) cannot exceed the premium for the coverage in which the QB was enrolled at the time of their Qualifying Event;
- The employer must be offering this "different" coverage to active employees;
- The "different" coverage cannot be limited to only dental, vision, counseling, and/or referral services; cannot be a Health Care Spending Account; and cannot be coverage for the services or treatment furnished in an on-site medical facility maintained by the employer that consists mainly of first-aid type services, prevention and wellness care, or similar care; and
- The election period must be at least 90 days. Note that this election period requirement is longer than the standard 60 day COBRA election period.

Special ARRA Notices

Every person who experienced a Qualifying Event from September 1, 2008 to May 31, 2010 must receive a special notice explaining ARRA's premium reduction assistance. WageWorks has incorporated this notice into WageWorks' standard Qualifying Event package for all QB's received and processed. Also included with this package, is a notice identifying any available opportunity to switch coverage options (if you allow this option) and a Request for Treatment as an Assistance Eligible Individual Form.

Identifying AElS

WageWorks has developed two options for reporting if your terminated employee is an AEl (Assistance Eligible Individual) and therefore eligible for the ARRA premium reduction assistance.

- **Option 1: Entry on Client Web Site**

When entering a Qualifying Event on WageWorks' web site, you will see a checkbox that will allow you to indicate if a QB is ARRA eligible.

- **Option 2: Electronic Data Files**

WageWorks' data file specifications include a field to indicate if a participant is ARRA eligible. Refer to the file specifications for instructions.

AEIs Requesting and Client Verifying Eligibility

If QBs believe they qualify for ARRA premium subsidy, they must complete a Request for Treatment as an Assistance Eligible Individual Form and return it to WageWorks for processing. This form is a self-certification confirming they meet the definition of an Assistance Eligible Individual (AEl) and that they are entitled to the premium subsidy. If QBs meet the following criteria, WageWorks will begin processing the ARRA request:

- Upon receipt of a completed ARRA Certification Form.
- Upon receipt of a completed COBRA Enrollment Form from the QB.
- The QB has a Qualifying Event and loss of coverage date:
 - Between September 1, 2008 through May 31, 2010
- The QB does not have one of the following ineligible event types:
 - Becoming an ineligible dependent
 - Divorce/Separation
 - Death

The next step in this process is to ensure you, as the employer, certify that the QB was involuntarily terminated and is eligible for ARRA premium reduction assistance.

If the QB name does not appear on the web site or electronic data file as an Involuntary Termination or if you have not indicated on the COBRA eligibility file that they are eligible, your Client Services Team will contact you to verify eligibility for the ARRA premium subsidy. Attached to the email will be a form titled Former Employer Response to Qualified Beneficiary's Request For Treatment As An Assistance Eligible Individual (ARRA Subsidy) for your response.

If a QB is approved for the ARRA premium subsidy (based on the above), an ARRA enrollment confirmation letter along with new premium coupons will be generated and mailed to the QB.

If a QB is denied for ARRA premium reduction assistance (based on the above), WageWorks will generate a letter to the QB advising that the request was denied and that in order to continue COBRA coverage, full premium payment must continue to be remitted on a timely basis. WageWorks will also include information regarding the applicable DOL appeal process.

Denial Process

If a QB is denied ARRA's premium reduction assistance, they have the ability to appeal this decision. The DOL will review the appeals by individuals covered by group health plans of employers subject to the federal COBRA requirements. The Centers for Medicare & Medicaid Services (CMS) application will review the appeals by individuals covered by group health plans of federal, state, and local government employers or group health plans subject to a COBRA-comparable state law. All appeals must be handled in an expedited manner within 15 days of receipt. Upon the final determination of ARRA eligibility from the DOL, the QB will be notified in writing of the decision. If the DOL overturns the prior denial, the QB will need to notify WageWorks of the DOL determination. At that time, WageWorks will reprocess the ARRA enrollment.

Handling Ineligible Dependents

There are some situations where an AEI's dependent may not be eligible for the ARRA premium reduction assistance. These situations may include, Domestic Partners or other dependents that may be eligible for other coverage. In these events, the amount of the premiums attributable to these ineligible dependents must be "removed" from the portion of the ARRAs premium subsidy. For example, if the AEI had "employee + one" coverage of \$500 and "one" is a Domestic Partner and the employee only rate is \$300, then ARRA can only be applied to the \$300 (the amount attributed to the AEI). Therefore, the QB would owe \$305 for the month (\$105 for the ARRA portion and \$200 for the ineligible dependent).

Handling Employer Paid Subsidies

If you will be offering an employer paid subsidy in addition to the ARRA premium reduction assistance, the ARRA portion will only apply to the amount that the QB is responsible to pay. For example, if a QB's total COBRA premiums are \$1,000, and you, as the employer, will be covering 50% of that amount, the ARRA premium reduction assistance will only apply to the \$500 which is attributed to the QB's portion. Therefore, an AEI will only be responsible for paying \$175 and you will be responsible for paying \$825 (\$500 for the employer subsidy and \$325 for ARRA). However, you will only be eligible for reimbursement of the \$325 which is attributable to the 65% of the ARRA premium assistance.

Obtaining Reimbursement of the 65%

Employers apply for reimbursement of the 65% ARRA premium reduction assistance in the form of an offset in the amount of payroll taxes. You must file a claim for the reimbursement with the IRS through the Quarterly Federal Tax Return, Form 941. See your tax consultant for additional details on this filing process.

MONTHLY REPORTS AND PAYMENT REMITTANCE

WageWorks produces monthly reports by the 11th of each month for the COBRA activity occurring within the prior month. The delay is necessary due to the 30 day grace period required by COBRA regulations. Additionally, WageWorks must allow time for the arrival of mail postmarked at the end of the month and time to prepare the reports. A Carrier Report is sent to each carrier unless directed otherwise. A comprehensive set of client reports is available on WageWorks' web site. Remittance payment summary reporting is provided by the 20th business day of every month with premium remittance by ACH or check and delivered via WageWorks email.

You will continue to pay the carrier premiums for the QBs. Carrier invoices should continue to be sent to you. WageWorks strongly recommends that the reports provided be audited against the monthly carrier bills to make sure that carriers are updating their records timely and that the company is not continuing to paying for COBRA coverage for that has been terminated. Participation in COBRA fluctuates significantly and, therefore, your bills should be monitored carefully. Since most carriers will only allow premium credits for a period of 60 days, it is important to make carrier bill audits a priority.

ANNUAL OR OPEN ENROLLMENT (OE)

Employers must extend the same OE rights (also known as Annual Enrollment) to QBs as it does to similarly situated active employees. Thus, if you maintain more than one group health plan and give active employees the opportunity to change plans during OE, the same rights must be extended to QBs. You must send the same basic materials to both active employees and QBs. WageWorks must be notified when you have an OE period to ensure that WageWorks' records are updated with all plan and rate changes for the new plan year.

WageWorks is able to manage the OE process for your QBs and are able to produce the appropriate enrollment forms and cover letters with updated rates from WageWorks' system. Send WageWorks any benefit information you are supplying to the active employees so that the correct materials will be in the packet. Refer to the Contract for Services for any applicable fees.

Whether you request WageWorks to be involved in the process or not, a notification in writing of any benefit plan or premium rate changes is required. A minimum 30 day advance notice to the QB of any rate change is recommended by WageWorks in order to comply with federal COBRA regulations. For example, if a rate change is effective January 1, WageWorks suggests that all QBs be notified of the change by December 1 of the previous plan year. To implement a rate change effective January 1, WageWorks would need to be notified no later than mid-November. It is WageWorks' recommendation that the rate change notification be incorporated into the OE materials.

If WageWorks is not managing the OE process, enrollment forms should be returned to you for auditing prior to submission to WageWorks.

IMPORTANT NOTE: OE for active employees may create an often-overlooked COBRA event. If one of your employees drops a spouse from coverage at OE, your company should notify the spouse of the loss of coverage. It is important to note that coverage dropped during an OE period is not a Qualifying Event for purposes of COBRA eligibility. If the "drop" is made "in anticipation of a divorce," the spouse will be eligible for COBRA when the divorce is final even if the spouse does not have coverage at the time the divorce is finalized. Notify the spouse that he/she will need to contact the company when the divorce is final and COBRA coverage will be offered at that time going forward. This "anticipation" clause is good for 12 months.

QB ACCOUNT ACCESS

QBs account information is available in several different ways. Account information is accessed through WageWorks' web site or by calling and speaking to a Customer Service Representative Monday through Friday, 8:00 AM to 8:00 PM, Eastern Time.

Online Web Site

WageWorks also offers a web site for QBs to view pertinent information regarding their COBRA account. The web site has been designed for their convenience and will give them access to the following:

- Their personal profile.
- Their COBRA benefits plan details and coverage levels.
- Covered dependents (if applicable).
- Premium payment amount due and due date information.
- Payment history.
- On-demand printing of Payment Coupons, which includes premium amount and due date.

GENERAL ADMINISTRATIVE PROCESSES

This section informs you of other general processes that affect the administration of your plan.

Plan / Rate Changes

Whenever you have a change in a plan that will affect QBs, you will need to provide advanced notice in writing of the changes. These changes may include carrier changes, rate changes or coverage changes. WageWorks recommends that QB's be notified at least 30 days prior to any rate increase. Federal COBRA regulations require a "timely notice" of changes be given to QBs. See the "Annual or Open Enrollment" section for information specific to this event. In general, rates may not be raised during the 12 month determination period (normally, the plan year).

Carrier Intervention

You may need to be involved with the carrier on behalf of a QB from time to time. WageWorks tries to keep this to a minimum but sometimes you simply have the information or "influence" needed to accomplish the desired results for the QB. All parties involved must agree on these items:

- Termination of active benefits will come only from the company,
- Reinstatement of benefits resulting from a COBRA election will only come from WageWorks,
- Changes to the QBs coverage will only come from WageWorks, and
- Under no circumstances will the carrier take changes directly from QBs.

Client Reports

A variety of monthly reports are available from WageWorks. All reports are available on WageWorks web site for accessing. See WageWorks COBRA Web Site User Guide for complete details.

Billing of Administrative Fees

At the beginning of each month, you will receive a Billing Invoice. Administrative service fees are due on the 25th of the month, in which WageWorks is providing services, as stated in the Contract for Services. Pay your invoice as billed to avoid accruing interest charges.

Privacy Notice

The Gramm-Leach Bliley Act of 1999 requires "financial institutions" to safeguard client information and to provide notice of privacy practices to their customers. WageWorks will provide you with a Privacy Notice upon implementation, as well as annually, as long as WageWorks continue to provide administrative services for your employee benefit plan. This notice is available anytime on WageWorks web site. The notice will state that WageWorks will always and will continue to treat client's data with the utmost care and integrity.

QB COMMUNICATIONS

QB communications are those that WageWorks will send to your employees and QB's during the on-going administrative services. The items that follow are descriptions of the QB letters that are automatically generated from WageWorks' COBRA system.

TAKEOVER PACKAGE

New COBRA Administrator Letter

This letter is sent to all existing and pending QBs as reported to WageWorks during the initial takeover of your account. The letter describes either the plans reported to WageWorks for the QB or describes the necessary steps to take during the initial 60 day COBRA election period.

NEWLY ELIGIBLE/NEW HIRE COBRA PACKAGE

DOL General Notice

This notice is sent to all employees and spouses who are newly covered by (your group health insurance) any COBRA eligible benefits. This can include medical, dental, vision and in most cases an EAP benefit. The DOL requires that this notice be sent to explain to newly covered employees and/or spouses their COBRA rights in the event that they should lose coverage from one of your qualifying plans.

QUALIFYING EVENT PACKAGE

Qualifying Event Notice

This letter is generated when certain Qualifying Events have occurred, such as termination of an employee or employee's reduction in hours, retirement of an employee, a child becoming an ineligible dependent, an employee's divorce or separation or Chapter 11 Bankruptcy. The notice details the rights of the QB, the steps necessary to enroll, enrollment period, premium due for each benefit and information on ARRA premium reduction assistance.

Premium Computation Form

This is sent with the Qualifying Event Notice and shows the cost of the coverages in effect at the time of the Qualifying Event. It also calculates the premium amount to be sent in depending when payment is made.

COBRA Enrollment Form

This is sent with the Qualifying Event Notice and shows available benefit options, premiums and provides a place to list dependents (in case WageWorks does not have complete information on the dependents). If the QB is eligible for ARRA, a COBRA Enrollment Form with ARRA information will be generated.

HIPAA Certification

This certificate meets the requirement of Health Insurance Portability and Accountability Act of 1996 for a Certificate of Creditable Coverage. It is sent with all QE Notices, upon termination of COBRA and upon request. This certificate will also include possible gap in coverage and allowance under ARRA if applicable for the "second chance enrollments".

VARIOUS GENERAL LETTERS

Notice of Unavailability

This letter is generated when coverage is denied after receiving a Qualifying Event Notice, a second Qualifying Event Notice or disability determination as to provide a reason as to why the individual is not entitled to COBRA coverage.

Enrollment Confirmation

This letter is generated as soon as WageWorks has received both the enrollment form and the first payment from a QB. This confirmation verifies the benefits in which they are enrolled in along with their COBRA start and end dates. Enclosed with this notice will be payment coupons for the monthly premium remittance process.

Coupons for COBRA Payments

Premium payment coupons are enclosed with the Enrollment Confirmation Letter as well as provided on a yearly basis upon the completion of the open enrollment process. WageWorks does not send monthly invoices. If the company is paying for some portion of the COBRA coverage, the coupons will show the first payment due following the cessation of the company paid portion. Additional coupons are available at any time via WageWorks' web site or by contacting WageWorks. If the QB is also approved as an AEI, the coupons will reflect the ARRA subsidy QB portion.

Premium Reminder Notice

Premium Reminder Notices are sent to COBRA enrollees whose premiums are not received by the 15th of the month during which they are due. This notice reminds them that their payment must be postmarked by the end of the month to avoid termination.

Partial Payment Notice

Whenever WageWorks receives a payment that is less than the full amount of the premium due, this notice is sent to the QB to request the remainder to be paid in a timely fashion.

Second Qualifying Event Notice

When an enrolled QB experiences a second Qualifying Event (divorce from the former employee, death of the former employee or an overage child losing benefits) during the initial 18 month coverage period, this notice is sent to inform the affected persons of their corresponding COBRA rights. Updated coupons will also be sent if needed.

Medicare Eligibility Notice

As a QB approaches age 65, a letter detailing how Medicare Entitlement affects COBRA is sent.

Conversion Rights Letter

Some group health plans have conversion privileges. If applicable and requested by the client, as a QB approaches the end of his maximum coverage period under COBRA, this letter is generated and sent. This letter will request that they contact the carriers directly to discuss conversion to an individual policy and/or state continuation plan if applicable.

Termination Notice

This notice is sent to the QB upon the termination of COBRA and states the reason for the termination. This letter is generated at the end of the COBRA period, upon termination for non-payment or when the QB sends WageWorks a written request to terminate coverage.

ARRA Eligibility Form

This "Request for Treatment as an AEI Form" is generated along with the ARRA COBRA Premium Reduction Notice. This form is included in the Qualifying Event package. QBs will need to return this form in order to be considered a possible AEI.

ARRA Enrollment Confirmation

This confirmation letter is generated once the AEI is enrolled for the ARRA subsidy. Premium coupons displaying the amount of the premium reduction will be included for the QB.

ARRA Denial Letter

This letter is generated when an AEI is denied the ARRA subsidy due to ineligibility. This notice will contain information on the appeal process available through the DOL or Center for Medicare and Medicaid Services (CMS).

APPENDIX A - SUMMARY OF COBRA RESPONSIBILITIES

Responsibility	Client	WageWorks
Initial Notices	Provide WageWorks required information on newly covered employees and/or spouses at the time they become covered under a COBRA eligible plan.	Issue initial notices in a timely fashion.
Qualifying Event Notices	Provide WageWorks required information on all Qualifying Events that occur for any employee and/or dependent within 30 days of the event including involuntary and voluntary termination information for ARRA Eligibility.	Issue Qualifying Event Notices and HIPAA Certificates within 14 days of receipt from Client. Track enrollment period.
COBRA Enrollments		<p>If a QB chooses to enroll within the allowable timeframe, WageWorks will:</p> <ul style="list-style-type: none"> ▪ Report enrollment information to the corresponding carrier(s). ▪ Send enrollment confirmation and premium coupons to enrollee. <p>If QB does not enroll in the 60-day allowable timeframe, WageWorks will issue a non-commencement letter.</p>
COBRA Premiums	Client will remit premiums to carriers.	<p><i>Premium collection.</i> WageWorks collects premiums remitted by QBs and handles them accordingly.</p> <p><i>Premium Reminder Notices.</i> Reminder notices are sent if premiums are not received by the 15th of the month.</p> <p><i>Partial Payment Letters.</i> A letter is sent when a payment is short of the full premium due.</p>
Termination of COBRA	Review termination report sent monthly from WageWorks to ensure that termed QBs have been removed from carrier bill.	Any terminations from COBRA will be reported to corresponding carriers by WageWorks.
Eligibility Reporting	Reconcile the carrier bills with WageWorks' monthly reports to ensure that any added or termed QBs have been processed correctly.	<p><i>Monthly Reports to Client.</i> WageWorks will prepare monthly reports summarizing COBRA eligibility and paid thru dates.</p> <p><i>Monthly Reports to Carriers</i> will be issued summarizing COBRA enrollees and terminations within each plan.</p>
Open Enrollment & Rate Changes	<p>Notify WageWorks at least 30 days in advance of any plan or rate changes.</p> <p>Provide WageWorks with the same enrollment materials that are given to active employees on each COBRA eligible plan.</p>	<p><i>Rate Change Letters.</i> WageWorks will issue QBs letters, notifying them of any rate changes. A 30 day advance notice is suggested.</p> <p><i>Open Enrollment.</i> If requested, WageWorks will prepare OE instructions and materials and correspond directly with QBs. Any enrollment changes will be reported to corresponding carriers.</p>

APPENDIX B - COBRA QUALIFYING EVENTS COVERAGE PERIODS

IMPORTANT! Each of these events should be reported to WageWorks no later than 30 days from the date of the event.

If the Qualifying Event is . . .	And if Social Security . . .	Then the maximum coverage period is . . .
Covered employee's termination of employment, retirement, or covered employee's reduction in hours (e.g. leave of absence, full time to part time, no return from disability leave)	Does not determine that any QB is disabled during the first 60 days of COBRA coverage	18 months (unless a Secondary Qualifying Event occurs)
	Determines that any QB affected by this same event is disabled during the first 60 days of continuation coverage	29 months
One of the following: <ul style="list-style-type: none"> ▪ Covered employee's divorce or legal separation ▪ Covered employee dropping spouse in anticipation of divorce* ▪ Covered employee's death ▪ Covered employee's entitlement to Medicare resulting in dependent's loss of coverage ▪ Child's loss of dependent status under plan terms 		36 months for covered spouse and/or children losing coverage as a result of Qualifying Event

*The Qualifying Event date will be date of the divorce if it is determined that the former covered spouse of the covered employee was dropped in anticipation of the divorce.

APPENDIX C - COBRA NOTICE REQUIREMENTS

The following list describes COBRA notice requirements and their respective deadlines.

Notice	Requirement	Deadline
Initial Notice	A group health plan must notify a covered employee and spouse (if applicable) of their COBRA rights. Mailing the notice by first-class mail to the employee and spouse's last known address is considered to be good faith compliance. A single notice addressed to the employee and spouse is sufficient if the spouse's last known address is the same as the employee's. Otherwise, separate notices to each are required.	When coverage first begins under the plan. COBRA statute requires this notice be provided within 90 days of commencement of plan coverage.
Employer Notice of Qualifying Event	An employer must notify the administrator of any Qualifying Event.	Within 30 days of event.
COBRA Notification	The administrator must notify a QB of his or her COBRA rights in connection with a Qualifying Event. A notice to a spouse is considered sufficient to notify all dependent children residing with the spouse.	Within 14 days of receiving a notice of a Qualifying Event.
Qualified Beneficiary Notice of Qualifying Event	A covered employee or QB must notify a plan administrator of any Qualifying Event that affects their continuation of coverage.	Within 60 days of the Qualifying Event.
Notice of Disability	To obtain the disability extension and prolong the maximum coverage period from 18 to 29 months, a QB must notify the plan administrator of Social Security's disability determination.	Within 60 days of Social Security's disability determination or start of COBRA, whichever comes first and before the end of the 18 month period.
Notice of Qualified Beneficiary No Longer Disabled	A QB must notify the plan administrator of Social Security's final determination that a beneficiary is no longer disabled.	Within 30 days of Social Security's final determination.