



[DiscoveryBenefits.com](http://DiscoveryBenefits.com)

## **COBRA Administrative Services Proposal**

**City of Grand Island**

**Effective Date: October 1, 2015**

## Our History



## Our Products

### Benefits Administration

- Flexible spending accounts
- Health reimbursement arrangements
- Health savings accounts
- Transportation service accounts
- Wellness/Reward incentive plans
- Tuition reimbursement

### COBRA and Custom Billing

- COBRA
- Custom Billing
  - FMLA tracking
  - LOA billing
  - Retiree billing
  - Loan payment
  - LTD
  - Disability
  - Other custom billing options

### Defined Contribution

- Cafeteria plan premium reimbursement account
- Health reimbursement arrangements

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Inc. HirePower – Creating Jobs for the Community



Inc. 5000 – America's Fastest Growing Companies



Partner with a true advocate. Discovery continues to bring you the best in service, technology and business. Our specialists ensure your plans run smoothly, allowing you and your clients to focus on the more demanding areas of your job.

**DISCOVERY BENEFITS IS TRANSFORMING THE COMPLEXITY OF EMPLOYEE BENEFITS ADMINISTRATION WITH INNOVATIVE SOLUTIONS AND EXTRAORDINARY CUSTOMER SERVICE DELIVERED BY EMPOWERED AND KNOWLEDGEABLE EMPLOYEES.**

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## **COBRA Administrative Services Highlights**

- Discovery assumes responsibility for COBRA compliance under its control
- Real-time reporting available through Employer web portal
- Maintain compliance with all applicable regulations
- COBRA initial rights notification to all active, covered employees and spouses
- Qualifying event notices to eligible qualified beneficiaries
- "Unavailability" letter to all individuals that are not eligible for continuation
- Payment coupons, ACH and online payment instructions provided to COBRA qualified beneficiaries
- All notices mailed via proof of mailing and stored electronically
- Online enrollment option for qualified beneficiaries
- Collect, track, process and remit all insurance premiums paid by the qualified beneficiary
- Coordinate with the carrier(s) on questions pertaining to eligibility and payment status
- Verify ongoing eligibility of qualified beneficiaries and continuants throughout election and coverage periods
- Maintain communication with continuants concerning eligibility for Medicare, advance termination notice, verification of termination, change of address and rate changes
- Coordinate open enrollment process for qualified beneficiaries for benefit anniversary date occurring after the transition to Discovery
- Provide assistance in the event of an IRS audit
- Available for consultation in the interpretation and application of COBRA regulations
- Toll-free customer service 6:00 a.m. to 9:00 p.m. Central Monday through Friday
- Interactive Voice Response (IVR) System available 24/7/365
- Archive records for seven years

## **Discovery Benefits will:**

### **Eliminate Penalties or Legal Disputes**

If Discovery Benefits is responsible for a COBRA violation under its control, Discovery is liable for the noncompliance penalties as part of its contract with the employer.

### **Eliminate Hassles**

Discovery Benefits assumes responsibility for communicating with providers, qualified beneficiaries and their family members regarding COBRA issues.

### **Reduce COBRA Continuant Claims**

Discovery Benefits tracks each qualified beneficiary's eligibility throughout the election and coverage periods to ensure that coverage is provided to those eligible and denied to those ineligible.

### **Reduce Emotional Burden**

Interaction with an ex-employee or family member can be an emotional experience because of the close personal nature of health coverage. Discovery relieves the employer's staff from this burden and assumes the responsibility to work with ex-employees and their family members in all situations, especially those that may be difficult and emotional.

### **Simplify Compliance**

Employers only need to notify Discovery Benefits when someone is added to group coverage and when there is a COBRA qualifying event. Discovery Benefits does the rest. New employee or COBRA qualifying event information can be keyed by the employer, uploaded through the employer web portal or sent to Discovery via electronic file.

## **Educate**

Discovery Benefits' blog includes posts on regulations changes. Clients, consultants and member are encouraged to register for the blog. Emails also serve to keep clients and consultants informed of regulation changes.

## **Secure Web Access**

Our HIPAA secure, state-of-the-art web portal provides employers and participants with 24/7 account access:

- **Employer Web Portal**

- View qualified beneficiary's payment and coverage status
- View all letters sent to a qualified beneficiary
- Key and/or upload new hire and qualified beneficiary information
- View, print and export real-time reports
- Provide access to multiple individuals
- Unlimited data storage
- View posted, customizable messages

- **Qualified Beneficiary Web Portal**

- Online COBRA election
- View payment and coverage status and next payment due date
- View benefits elected and covered dependents
- View and print all letters previously sent
- Make payments via debit/credit card
- Sign up for recurring monthly ACH
- View posted, customizable messages and links to open enrollment materials and other stored documentation

## **IVR System**

COBRA Continuant have access to the IVR system at any time. Information available on the IVR system includes:

- Last payment date
- Last payment amount
- Next payment due date
- Next payment amount due

## **Overview of COBRA Processes**

### **Initial Notification**

Discovery will send initial notification of COBRA rights when a new hire is added to coverage, a dependent is added to coverage for the first time or wherever initial notification is required under COBRA regulations.

The employer is responsible to notify Discovery when an employee or a covered dependent first becomes covered under a COBRA-eligible plan. Notification to Discovery can be made by uploading a file through the employer web portal, submitting an electronic file to Discovery or by keying the information directly into the employer web portal.

### **Qualifying Event**

It is the responsibility of the employer to provide complete information to Discovery within seven days when an employee, spouse and/or dependent experiences a COBRA qualifying event. Notification to Discovery can be

made by uploading a file through the employer web portal, submitting an electronic file to Discovery or by keying the information directly into the employer web portal.

It is the responsibility of the employee (or the employee's dependent) to notify Discovery and the employer within 60 days of the qualifying event in the case of a divorce, legal separation or a child losing dependent status. Notification can be made by completing a COBRA Second Qualifying Event form (available at [www.discoverybenefits.com](http://www.discoverybenefits.com)) and sending to Discovery via fax, mail or email.

Qualifying events submitted via the employer web portal prompt the mailing of the COBRA election paperwork the following business day. Qualifying events submitted via electronic file (through the SFTP site) are processed within 48 hours. Discovery cannot assume responsibility for sending COBRA election paperwork for qualifying events that occurred prior to the effective date of Discovery's COBRA administration or for qualifying events supplied with incomplete information.

### **Online Enrollment**

Each qualified beneficiary will receive, along with their COBRA election materials, a registration code and instructions for accessing the member web portal. On the member portal, the qualified beneficiary may enroll and/or make premium payment.

### **Qualified Beneficiary Premium Payments**

Once the COBRA election process is complete and the initial payment is made, an enrollment confirmation letter is sent to the qualified beneficiary(ies) along with coupons for making premium payments directly to Discovery. They may also make payments online via a debit/credit card. A separate processing fee charged and retained by the payment processor is applied to each payment made online via credit/debit card.

Another option for making continuation payments is through an automatic recurring ACH deduction via a checking or savings account. Members who are enrolled and paid current may access the ACH form through the member portal. There is no additional fee charged for processing recurring ACH payments.

Discovery monitors payment timing to ensure payment is made within the required 30 day grace period. The postmark determines if the COBRA continuant has made the payment in a timely manner. Payments received with a postmark past the 30 day grace period deadline are destroyed and coverage is terminated. Late payment reminders are not sent.

When a partial premium payment is made and the amount due is the lesser of \$50 and 10% of the premium (considered "insignificant"), Discovery sends a letter to the COBRA continuant advising them they have 30 days to make the remaining payment.

If the short amount is "significant," a letter is sent to the COBRA continuant advising them that full payment must be received by the end of the current payment grace period.

If payment is not made, the partially paid premium is refunded and the coverage terminated retroactive to the beginning of that month.

Discovery Benefits is able to handle COBRA premium payments from multiple sources.

### **Premium Distribution**

Discovery will remit premiums to the employer via ACH deposit or monthly check. This requires the employer to accept responsibility to reconcile the carrier billing to the online remittance report provided through the COBRA employer portal and forward the premiums to the carrier.



Due to the fact that many insurers restrict the ability to retroactively terminate COBRA coverage, it is very important that the reconciliation be completed in a timely manner. Discovery will not accept liability for any loss or damage incurred by the employer or carrier, including premiums, because an employer fails to reconcile the online reports to its carrier billings.

### **Carrier Communication**

Discovery Benefits, in conjunction with our COBRA Carrier Operations team, serves as the main point of contact for your insurance carriers to update and confirm COBRA continuation eligibility for qualified beneficiaries.

The goal of the Carrier Operations team is to communicate effectively with your carriers to maintain a smooth transition for COBRA participants when electing, changing, or terminating COBRA benefits. Discovery will notify the carrier(s) when the initial COBRA payment is received and when COBRA coverage is terminated.

If the carrier has questions pertaining to COBRA eligibility or payment status, they are supplied a dedicated toll-free number and email address that allows them to communicate quickly and efficiently with Discovery's COBRA Carrier Operations team.

### **Qualified Beneficiary Communication**

Discovery maintains communication with the qualified beneficiaries concerning eligibility for Medicare, early termination notice, verification of termination and rate changes. Certain messages may be posted and available to members through the member portal.

### **Terminations**

A conversion option letter is sent to COBRA continuants 180 days prior to the end of their coverage period advising them of the upcoming coverage end date.

A certificate of coverage is included with the termination letter. Qualified beneficiaries may request a certificate of coverage any time within 24 months of the COBRA termination.

### **Open Enrollment**

Discovery provides COBRA open enrollment services for the benefit anniversary date occurring after the transition to Discovery. Discovery will send a standard open enrollment/rate change letter and generic carrier enrollment form at no additional fee and will collect enrollment forms and forward to the carrier for processing.

Standard open enrollment communications will include the following:

- Open enrollment form (1-3 pages)
- Plan change notice

Additional open enrollment materials are provided to members through an open enrollment message on the member portal. The message provides a link to any additional materials.

If the employer prefers, Discovery can include a link to the employer's website where the member can also retrieve any additional open enrollment documents or communication. There is no fee for adding a link to the open enrollment/rate change letter.

Alternatively, additional open enrollment materials can be mailed for \$1.00 per duplex page, with a 25 page maximum. If this service is requested, the material must be provided to Discovery in an electronic PDF format.

### **Quality Assurance**

It is the responsibility of the employer to ensure the accuracy and timeliness of the qualifying event and new hire information that is provided to Discovery. In the event of incomplete or insufficient data that is in conflict with the system parameters (benefits not matching current available benefits, etc.), no COBRA paperwork will be generated. Once notified, Discovery will work with the employer to resolve any discrepancies.

### **Positive Pay - Stale Checks**

Discovery uses a positive pay system to ensure only valid checks are processed. Checks that have cleared the account are compared daily to the positive pay file and any exceptions are reviewed to ensure that only valid checks have cleared Discovery's account. Checks remain on the positive pay file for 180 days.

### **Severance/Subsidies**

Discovery offers the following options for administering severance or subsidy programs. If your severance program differs from the options described below, Discovery will need to discuss with you prior to implementing the design of your severance program to ensure proper administration can be provided.

- If the severance program and COBRA run concurrently, the COBRA premium may be subsidized by a percentage of the premium or a flat dollar amount, by benefit.
- Discovery will collect the non-subsidized portion of the premium from the qualified beneficiary and remit that amount to the employer for the employer to remit to the carrier.
- Subsidized payments can be prorated for the first month, but must end on the last day of the month.
- The employer is responsible for the 2% COBRA administration fee on the subsidized payment.

### **File Formats**

Files must be in Discovery's layout and .csv format. This ensures: 1) a smooth set up, renewal and ongoing administration; 2) the information contained in the file is accurately and effectively communicated; 3) the file imports are turned around in a 48 hour time frame during the plan year.

Files missing required data will be returned to the employer for completion, extending the turnaround time.

### **Submitting Files**

The preferred and most secure method for submitting electronic files is through a secure FTP site

### **File Testing Process**

Once the COBRA account setup process is complete, a test file should be sent to Discovery to ensure the file meets the software specifications. Discovery tests the file and communicates with the company's IT representative or third party file vendor about changes to the file.

### **Message Posting**

Approved messages may be posted by Discovery Benefits to client's members via the member portal based on member type (QB or SPM), status or plan(s).

### **Employer Reporting**

Online real-time reporting is available through the employer web portal:

- Member status
- Carrier notifications (pending and processed)
- Proof of mail
- Plan rate renewal



- Paid through report
- Generated letters report (summary and detail)
- Members without plans
- QB plan members
- Subsidy schedule
- Remittance reports
- Member by Postal Code
- New Plan Member report
- QB Summary report
- SPM Summary report

### **Implementation**

The implementation process is the employer's first experience with Discovery and we understand how critical the process is to establishing a long-term relationship. The Implementation Manager assigned to your company is dedicated to coordinating and managing the implementation process to ensure a smooth transition.

Discovery works in conjunction with the employer and the former administrator to determine the best way to handle the transition based on the specifics for each group.

Former administrators are asked to send Discovery electronic files using a specific file format. Normally a series of electronic files over the course of several weeks are received including information on the status of elections and/or paid through dates for qualified beneficiaries. It is not necessary for Discovery to be informed of qualified beneficiaries that have not paid and are terminated through the former administrator. Those individuals are not eligible for continuation coverage.

## Sample Implementation Plan

**Effective Date:** 01/01/2016

**Sold Date:** 11/01/2015

11/01/2015	Assigned Implementation Manager emails implementation paperwork to consultant to forward to employer. An initial implementation conference call date and time may be set up after paperwork has been reviewed by employer/consultant.	Employer, Discovery, Consultant
11/06/2015	If applicable, conference call is held to review the implementation paperwork and discuss timelines and processes.	Employer, Discovery, Consultant
11/13/2015	Complete Online Design Guide. Discovery reviews/sets up the group.	Employer/ Consultant
11/27/2015	Group is set up on Discovery Benefit's systems. Web portal is activated and once applicable (according to plan set up), web access is granted to contacts.  Company representative(s) review web demo/training and educational materials before effective date.	Employer, Discovery
12/09/2015	Provide Discovery Benefits with information about current COBRA qualified beneficiaries who are paid through at least the month prior to the effective date. Information includes actual qualifying event, date of qualifying event, date coverage was lost, benefits elected, premium amounts and paid through dates.	Employer, Discovery
12/12/2015	Transition information may be provided in either Discovery's electronic format or on Discovery's Current Continuant Information paper form. Discovery Benefits mails current COBRA qualified beneficiaries Takeover Notices with new coupons and instructions for sending payment and communication to Discovery Benefits after the effective date.	Discovery
01/01/2016	Updated paid through files should be regularly sent to Discovery Benefits through at least the middle of the month of the effective date to capture members paying premiums after the initial file is loaded.  Effective Date	Employer, Discovery
01/15/2016	<u>Optional Service:</u> During the month following the effective date, employer may send an electronic file with all active covered employees to Discovery Benefits in Discovery's electronic format. Discovery Benefits then mails initial notices to all active covered employees	Employer, Discovery

## COBRA Administrative Fees

<b>Annual Renewal Fee</b>	No setup or annual fee
<b>Monthly Administrative Fee</b> (2% administration fee paid by COBRA continuant enrolled in COBRA coverage. Retained by Discovery)	\$0.85 per covered employee
<b>Initial Notification</b>	Included
<b>COBRA Notification and Election</b>	Included
<b>HIPAA Certificates</b> (Certificate of Coverage and HIPAA Portability Rights)	Included
<b>Election Tracking</b>	Included
<b>Premium Billing and Remittance</b>	Included
<b>Termination Tracking and Notification</b>	Included
<b>Postage and Printing</b>	Included for standard mailings and materials
<b>Additional Open Enrollment Materials</b>	Handling fee of \$1.00 per page (duplex) will apply for additional materials (additional materials are limited to 25 duplexed pages that include DBI's standard open enrollment/rate change letter).
<b>Minimum Annual Fee</b> (applies if the monthly administrative fee times the number of participants for a 12 month period is less than this amount)	\$550
<b>Rate Guarantee</b>	36 months

Fees are quoted net of commissions.