COBRA ADMINISTRATION SERVICES

Briefing by Human Resources Department
Overview

- Provides temporary continuation of health insurance at group rates.
- It’s a federal mandate for employers with 20 or more employees to provide COBRA services to beneficiaries.
- Qualified beneficiaries are certain former employees, spouses, former spouses, and dependent children.
When Is COBRA Information Provided?

- Upon employment
- Upon voluntary and involuntary termination
- Divorce
- Death of terminated employee who has COBRA
- Notice of plan changes, etc.
# Duration of COBRA

<table>
<thead>
<tr>
<th>BENEFICIARIES</th>
<th>DURATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Terminated employees</td>
<td>18 months</td>
</tr>
<tr>
<td>Disability within 60 days of COBRA continuation</td>
<td>29 months</td>
</tr>
<tr>
<td>Survivors</td>
<td>36 months</td>
</tr>
<tr>
<td>Spouses who lose coverage due to divorce</td>
<td>36 months</td>
</tr>
</tbody>
</table>
# City’s Monthly COBRA Rates (2014-15)

<table>
<thead>
<tr>
<th>EPO LIMITED</th>
<th>MEDICAL PREMIUM*</th>
<th>2% ADMIN. FEE</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participant only</td>
<td>$508</td>
<td>$10</td>
<td>$518</td>
</tr>
<tr>
<td>Participant &amp; Spouse</td>
<td>$1,169</td>
<td>$23</td>
<td>$1,192</td>
</tr>
<tr>
<td>Participant &amp; Child(ren)</td>
<td>$966</td>
<td>$19</td>
<td>$985</td>
</tr>
<tr>
<td>Participant &amp; Family</td>
<td>$1,779</td>
<td>$36</td>
<td>$1,815</td>
</tr>
</tbody>
</table>

*Rate includes contribution paid by the City and participant.
Status of City’s COBRA Services

- COBRA is administered internally by the Human Resources Department.
- A staff member operates on a desktop computer with inadequate software and outdated technology.
- Approximately 4,000 events occur per year. They include:
  - Terminations
  - New hires
  - Divorce or legal separation
  - Dependents’ loss of coverage when qualified employees elect to retain COBRA
COBRA RFP Process

- HR issued an RFP in January 2014 seeking the services of a contractor to administer COBRA.
- MWBE subcontract goal is 4%.
- Only one vendor—Ceridian Corporation—responded to the RFP.
- Quoted price for this contract is estimated at $47,000 per year, based on a 5-year contract.
Benefits of Outsourcing

- Eliminate or minimize penalties for non-compliance with specific federal guidelines.
- Improve operational efficiency.
- Improve efficiency in provision of customer service.
- Reallocation of human capital.
Outsourced Services

The prospective vendor will:

- Notify eligible beneficiaries.
- Collect premiums and remit to the City.
- Advise the City in writing of the status of participants.
- Provide general COBRA rights notification.
- Provide customer service 7 a.m. – 7 p.m., Central Time, Monday through Friday (except holidays).
- Preserve and archive records for seven(7) years.
Recommendation

The Human Resources Department recommends that the Budget & Fiscal Affairs Committee endorse this recommendation for City Council’s approval of the proposed 5-year COBRA administration contract—estimated at $47,000/year, for a total of $235,000—to be administered by Ceridian Corporation.