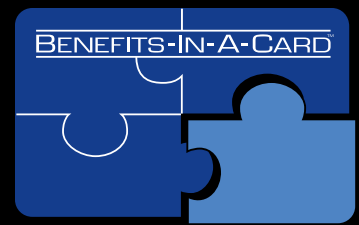


COBRA Subsidy Not a Burden for Many Limited Medical Plan Providers

by Carl Stecker, CEO, Benefits In A Card



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The federal subsidy of COBRA health insurance for laid-off workers contained in the economic stimulus bill earlier this year has been generating a lot of reaction from employers. COBRA—short for the Consolidated Omnibus Budget Reconciliation Act—is the federal program that allows workers to hold on to their health insurance benefits after a job loss. The new law subsidizes 65 percent of COBRA premiums for some workers for up to nine months. But implementation of the subsidy has generated as much confusion and frustration for employers as it has relief.

Essentially, there are two basic changes brought forth by the subsidy: First, employees who initially turned down COBRA were given another chance to say yes (if they became eligible for it after Sept. 1, 2008). Second, business owners who have more than 20 employees and offer health insurance are now required to lay out 65 percent of any COBRA payments for employees who qualify for the benefits (this, too, applies to employees who took COBRA after September 1). The government will eventually reimburse employers for these COBRA payments through payroll tax credits, but that can take months.

As a result, some companies have stopped offering health insurance plans to their employees in order to protect themselves from future layoffs that may occur before the end of year. Unfortunately, this may prove to be detrimental for the long-term health of those companies and our economy.

Rather than act rashly, companies that have quality limited medical administrators are able to eliminate the administrative burdens put on them by the subsidy's method of reimbursement.

Eliminating the Burdens of the COBRA Subsidy

Before the COBRA Amendment was signed into law, Benefits In A Card set to work preparing its clients for the surge of information that was soon to come. One of the first things we did was develop a webinar that allowed our clients to learn the in's and out's of the program and ask questions with "real time" feedback. This proved to be an invaluable tool as it allows an unlimited number of individuals to participate and learn not only from us, their plan administrator, but also from each other about how to maneuver through the maze of regulations and requirements. As new information about the law is made available, Benefits In A Card offers new webinars for its clients to keep them up to speed and answer questions.

The next thing we did was develop a reporting process that handles the administrative requirements necessary for reimbursement under the plan. Because the federal COBRA premium subsidy is reimbursed to employers through the federal quarterly payroll tax reporting system, the Act requires employers to advance the premium subsidies until the employer's payments can be recouped through reduced federal payroll tax payments. The Benefits In A Card reporting process determines the total amount of the subsidy with respect to premiums received during the federal payroll tax reporting period from eligible individuals that have elected COBRA continuation coverage. The process includes working with a company's payroll department or service to ensure that

the following information flows between the employer and the COBRA-payable entity:

1. The names of employees who are involuntarily terminated;
2. The names of employees who elect the subsidy;
3. The total monthly subsidy for all employees;
4. The dates employees make their subsidized COBRA payments; and
5. The dates employees' subsidies end.

We then compute the information to determine impending financial outlays the employer must make and when reimbursements can be expected. With this in hand each month, there are no surprises and employers can plan accordingly in all other facets of their business.

Another key step we took was to build an invoicing component into the already established Benefits In A Card system so that all COBRA-related government charges are rolled into the company's single monthly limited medical plan invoice. This eliminates the need to work directly with COBRA Guard (federal subsidy administrators) and requires no new paperwork for accounting personnel.

Affects of the COBRA Subsidy on the Limited Medical Insurance Industry

With a few months under our belt since the subsidy went into effect, 100 percent of Benefits In a Card clients have experienced no increased burden—financial or administratively—due to the new COBRA subsidy. In fact, one of our clients with 3,000 deductions per week has paid just \$300 into the program during each of the first two quarters since the subsidy took effect. The primary reason for this—and it's something we've found with most companies across the country—is that so few eligible individuals have opted to take advantage of the subsidy.

Our own practices as a company have made it apparent to us that the COBRA subsidy has provided the limited medical insurance industry with an opportunity to rise above the ruckus and demonstrate in a swift, professional manner just how easy new government regulations can be navigated. I know from the conversations I have had with leaders of other limited medical insurance administrators that customer service is at the core of our business and those of us who work hard to be real solution providers in times like these are rewarded through customer loyalty and positive word of mouth.

Our industry has taken its share of punches by those who do not bother to study the full scope of the products we offer nor understand the realities of today's healthcare burden on Main Street. When we ban together and treat events like the COBRA subsidy as opportunities rather than threats, we will gain more respect by all and, at the same time, provide an invaluable service to our clients who need our help more than ever before.



Carl Stecker is President and Chief Executive Officer of Benefits In A Card, one of the country's leading administrators of limited medical insurance. His company, which has been honored by AllState Insurance as the country's #1 administrator of its limited medical products, is a major sponsor of Worksite Magazine's Mini-Medical and Limited Medical Sales & Marketing Conference in October. Mr. Stecker serves on a number of professional and civic boards and is an active member of the American Staffing Association and Staffing Industry Analysts.