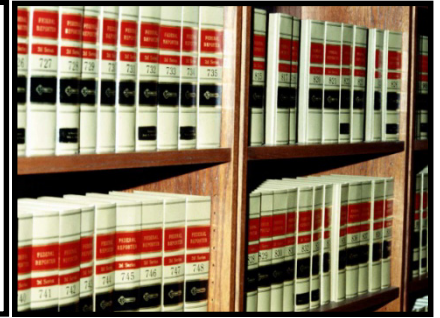


## *Consolidated Omnibus Budget Reconciliation Act of 1985 - COBRA*



There are hundreds of components that make up proper COBRA compliance.

Are *you* assured that *ALL* of these components are handled properly?

IRS field auditors have been given a *75* page instruction manual on how to audit your company for *COBRA violations*.

Will your program pass these audits with flying colors?

*Or will you Fail?*



*You are dealing with  
former employees...  
and, in many cases,  
former employees  
are not happy.*

*Underwood Vs. Fluor Daniel, Inc. 1997 US. App. Lexis 1410 (4<sup>th</sup> Cir'97)*

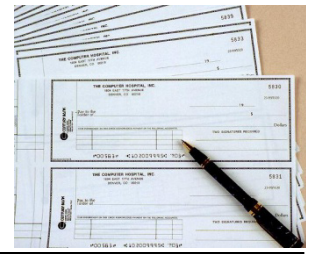
The first reported case where a full **\$100 per day penalty (\$36,500)** was imposed upon a plan administrator for failing to provide an election notice to the employee's spouse—even though she elected COBRA coverage and, therefore, was not negatively affected.

*Smith Vs. Rogers Galvanizing Co. 1998 US app.Lexis 16482 (10<sup>th</sup> Cir'98)*

The employer was obligated to pay **\$40,000 for unpaid medical claims** plus **\$44,000 in attorney's fees** for giving the employee **verbal notification** of COBRA rights rather than **written notice** as required under COBRA provisions.

# COBRA PENALTIES AND LIABILITIES

Could these fines be levied against **YOUR** company?



## ERISA Violations



- Notice Penalties  
**\$110 per day** per violation
- Other Judgments, Costs or Damages
- Audit and/or Enforcement Action by DOL

## Private Lawsuits

- Employers may be liable for payment of health care claims and fines.

## Internal Revenue Code

### Sanctions

- Excise Tax of up to **\$100 per day** per violation for each Qualified Beneficiary during the non-compliance period.
- Complex minimum and maximum limitations apply.

## Public Health Service Act

### Violations

- State and local governmental action for “appropriate equitable relief.”

**We offer you a 100 point analysis to help ensure that YOU are in COBRA compliance.**

**When** a COBRA payment is short, did you realize that you must accept it if it is not a significant shortage and give the beneficiary an **additional 30 days to pay?**

**What** do you do when an employee waives coverage for other dependents who are qualified beneficiaries?

**When** a notice is returned from the post office, do you attempt delivery again at least **5 additional times?**

**How** do you handle formal initial notification when some of the dependents live outside the household?

**What** do you do for the other dependents when the employee qualifies for the additional 11 months of coverage due to a disability?

**When** does COBRA eligibility begin when an Employee is eligible for FMLA?

L02

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CALL your **Dexter & Company** Specialist to help **YOU** be **COBRA Compliant**

**800-874-7831**

**214-526-5646**