

## COBRA Initial Notice

Since Health Care Reform was enacted in 2010, we have seen a sharp increase in regulatory enforcement by the government and insurance companies regarding all related rules and policies. One of the basic requirements of COBRA Administration is to provide The Initial Notice (also called The General Notice) to covered employees and spouses. The importance of The Initial Notice is to advise employees of their rights to COBRA in the future and of equal importance to advise them of their responsibility to provide notice to the plan administrator within 60 days of COBRA events such as a divorce or a child ceasing to be an eligible dependent. This latter element is occasionally overlooked as plan administrator's focus primarily on loss of employment issues while administering COBRA.

The Initial Notice must be furnished to each covered employee and spouse (if enrolled) at commencement of coverage. The timeframe for providing this notice is no later than the earlier of:

- 90 days after the date on which coverage under the plan commences;
- 90 days after the employer first becomes subject to COBRA

There will also be times in the future when a new Initial Notice must be distributed to the employee and spouse (if enrolled). Situations that will require another Initial Notice are:

- A single employee marries and adds the spouse to the health plan (Note, this does not apply to the addition of a domestic partner who does not have the same individual rights to COBRA as a spouse)
- Significant changes are made to the group health plan, such as changing from one health insurer to another where the insurer's contact information changes, a required disclosure in The Initial Notice
- Regulatory changes to Federal COBRA such as the DOL regulatory changes of 2004 effective in 2005

During the course of an employee's employment with the company, the employee may receive several Initial Notices. Although it may seem redundant, it is the best course of action to distribute a new Initial Notice when one of the above events occurs. In 2005 The Conestoga Group provided all COBRA clients with revised Initial Notices for distribution to all enrolled employees and spouses due to the DOL changes. This Legislative Update is intended to serve as a reminder when employees should be receiving Initial COBRA Notices. You may choose to request a review of the company COBRA records to see if all employees received an Initial Notice when first covered, added a spouse or a changed medical/dental/vision providers.

Fines for non-compliance can be up to \$110 per day if a DOL audit or lawsuit occurs. If you would like a compliance review for your Initial Notice distribution to see if any action is needed please contact Fredonna Smith of The Conestoga Group at 610-889-9500, ext. 103 or [fredonna.smith@conestoga.biz](mailto:fredonna.smith@conestoga.biz) to set up a review.

*The Conestoga Group is an insurance, investment and employee benefits broker and consulting firm based in Frazer, PA. Conestoga specializes in providing financial products and services to small businesses and their owner/executives and other employees. Founder and President Brad Palmer is an Investment Advisory Representative of Commonwealth Financial Network-a Registered Investment Adviser and member firm of the FINRA/SIPC. Brad can be reached at 610-889-9500 extension 101 or at [brad.palmer@conestoga.biz](mailto:brad.palmer@conestoga.biz).*

### NOTICE

These legislative comments are our interpretations of information provided to us by various legal and other resources as of 7/26/11. It is possible the information was presented incorrectly or that we have misunderstood the presentation. The purpose of this communication is to provide you with basic summary information on the subject matter to assist you in determining if you may need to seek legal or other professional assistance. This update and its attachments should not be construed as legal, tax, investment, or other advice and does not take into consideration specific factors unique to the reader's situation.