

NOTICE TO EMPLOYERS REGARDING SANFORD HEALTH PLAN COBRA ADMINISTRATION SERVICES

On March 11, 2021, President Biden signed into law the American Rescue Plan Act of 2021 (The Act). The Act provides additional and ongoing relief in relation to COVID-19 coverage as it relates to COBRA. Eligible participants may qualify for 100 percent subsidy relief.

The following information is a general summary and designed to educate employers utilizing Sanford Health Plan for COBRA administration of regulation impact and notify them of changes, updates, and information as it relates to premium billing of COBRA and the potential impacts of government regulation.

Sanford Health Plan would like to highlight the changes below that are anticipated to be the most impactful as we await further guidance from the Department of Labor. This document is not and should not be used as legal or tax advice.

Important Changes & Action Items:

- 100 percent COBRA Subsidy is available to AEs April 1, 2021 – Sept. 30, 2021.
- Effective immediately and going forward, the employer's group health insurance invoice will contain COBRA members.
- COBRA members should make their premium payment to the employer.
- Sanford Health Plan will notify members of this billing change.
- Newly Required Model Notices per ARPA will be sent by Sanford Health Plan to affected members and Assistance Eligible Individuals (AEIs).

COBRA Invoicing:

Effectively immediately, Sanford Health Plan will begin billing COBRA member premiums to all employers. This change will begin for the April 2021 invoice and continue thereafter. It reflects standard industry practice and will assist employers as it relates to potential Federal Subsidies that are employer driven, versus administrator. Sanford Health Plan will continue to send the remittance payment stub but the remittance will direct payment to the employer group's address.

COBRA Subsidies:

The Federally-provided subsidy is 100 percent of the amount owed by the AEI, including the two-percent administrative fee, meaning the AEI would owe nothing during the eligible period. Employers should not bill Assistance Eligible Individuals (AEIs) from April 1, 2021 through Sept. 30, 2021 and should instead seek repayment of premiums through refundable tax credits – please consult your tax advisor for specific details. AEIs generally include employees (and their spouses and dependent children) who lose, or lost, group coverage due to an involuntary termination of employment or reduction of work hours and elect COBRA. For further questions regarding AEIs, please consult legal counsel. Employers are responsible for determining which COBRA eligible individuals are considered AEIs.

Additional Offering:

A special 60-day Special Enrollment Period (SEP) is available to AEs who have not exhausted their original 18-month COBRA period and either did not elect COBRA when first eligible or elected COBRA but dropped it before April 1, 2021. Individuals who do not have a COBRA election in effect on April 1, 2021, but who would be AEs if they did, are eligible for the subsidy. In addition, individuals who elected but discontinued COBRA coverage before April 1, 2021, are eligible if they would otherwise be AEs and are still within their COBRA maximum coverage period.

Example

John is involuntarily terminated on Aug. 15, 2020 and loses his active employee coverage as of Aug. 31, 2020. John is mailed the COBRA election notice with general guidelines but does not elect coverage at this time. Within 60 days of April 1, 2021, John must be notified of the availability of the Subsidy and offered a new opportunity to elect COBRA effective April 1, 2021. He makes an election from the notice of Subsidy on April 22, 2021. Since the Plan offers coverage month-to-month, his COBRA coverage will begin on April 1, 2021. John's COBRA eligibility period will still begin on Sept. 1, 2020 and run through Feb. 28, 2022.

Note: *The Special Enrollment Period can be used to reinstate COBRA from original effective date without Subsidy and premium would be due OR the Special Open Enrollment Period can be elected to reinstate COBRA effective April 1, 2021, but the original completion of COBRA date would remain the same in either election – Feb. 28, 2022 in the example above.*

Sanford Health Plan strongly recommends the employer not allow AEs to elect a different coverage as this portion of the regulation is optional and would result in additional premium calculations for the employer. Employers must provide a list to Sanford Health Plan on or before April 30 of AEs to allow required notices to be mailed. Upon request, SHP will provide a list of all COBRA eligible individuals during this time period to allow the employer to select the AEs from the list

Additional Notices:

Sanford Health Plan will:

- Provide copies of model notices once available from the DOL
- Send notices of the Special Enrollment Period to employer-identified AE's prior to May 30, 2021
- Send additional notices required by ARPA

If you have questions about your invoice, COBRA billing changes, or need additional information please contact your Client Services Representative.