

COBRA ADMINISTRATOR SERVICES

**Briefing
by
Human Resources Department**



**CITY OF HOUSTON
BUDGET AND FISCAL AFFAIRS COMMITTEE
APRIL 29, 2014**

Overview

- **COBRA—Consolidated Omnibus Budget Reconciliation Act; enacted by US Congress in 1986.**
- **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?

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

Duration of COBRA

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BENEFICIARIES	DURATION
Terminated employees	18 months
Disability within 60 days of COBRA continuation	29 months
Survivors	36 months
Spouses who lose coverage due to divorce	36 months

City's Monthly COBRA Rates (2014-15)

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EPO LIMITED	MEDICAL PREMIUM*	2% ADMIN. FEE	TOTAL
Participant only	\$508	\$10	\$518
Participant & Spouse	\$1,169	\$23	\$1,192
Participant & Child(ren)	\$966	\$19	\$985
Participant & Family	\$1,779	\$36	\$1,815

*Rate includes contribution paid by the City and participant.

Status of City's COBRA Services

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- 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- A staff member operates on a desktop computer with inadequate software and outdated technology.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

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- 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

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- 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.