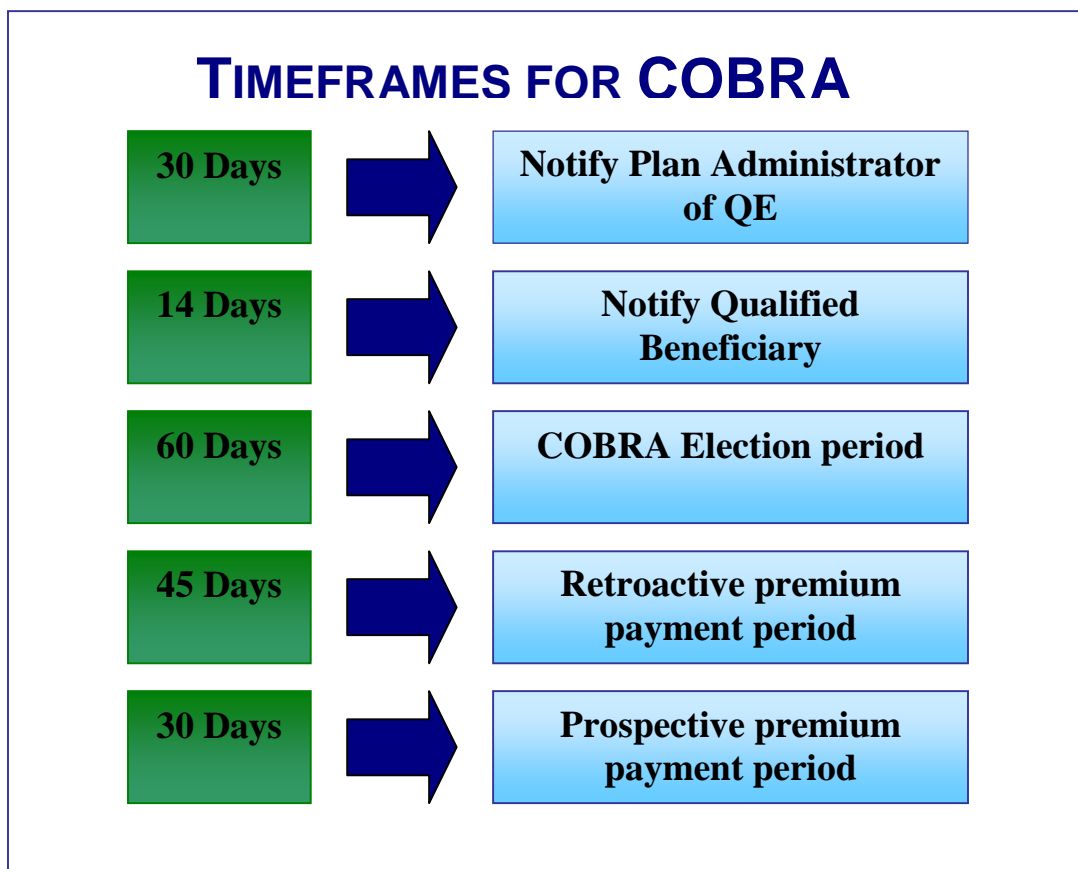


Allegiance COBRA Services, Inc. Executive Summary

The Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) was enacted into law on April 7, 1986. This law provides that virtually all employers who sponsor a group health plan must permit covered persons who lose coverage under the plan, as a result of certain events, to elect to continue their coverage, for a specific period of time on a self-pay basis. The only plans that are exempt from COBRA are employers with less than 20 employees, the federal government and church plans within the meaning of sections 414(e) of the Internal Revenue Code.

HIPAA, the Health Insurance Portability and Accountability Act of 1996 requires employers to provide a "Certificate of Creditable Coverage" to employees and their dependents, who lose coverage, which details the amount of time the employee or dependent was covered under the group health plan.



While COBRA and HIPAA are simple in their aim, the details of the laws are extremely complex and the penalties for non-compliance are significant. Several cases illustrate the extreme penalties – National Companies v. St. Joseph’s Hospital – Over \$1 Million; Swint v. Protective Life, et al. \$292,000.

The challenges and internal expense of maintaining compliance are why many employers choose to hire an expert such as Allegiance COBRA Services (ACS) to administer their COBRA/HIPAA programs. Allegiance COBRA Services, Inc. has been administering these programs since 1989. ACS continues to grow in the fiercely competitive employee benefits market in the West. ACS maintains offices in Tualatin, Oregon; and Missoula, Helena, and Billings, Montana.

Allegiance COBRA Services, Inc. has more than 23 years experience with COBRA/HIPAA compliance. We have the expertise necessary to ensure that your programs are administered in accordance with all state and federal regulations.

Since its inception, ACS has taken a defensive, cost-containment approach to all of our administration programs by instituting state-of-the-art technology, employing highly-trained staff who are experts in COBRA/HIPAA administration, and continually improving our programs to meet the needs of today's employers. Our dedicated and professional staff are certified in COBRA administration and participate in ongoing training as the regulations change. We also employ two full-time attorneys who are responsible for monitoring legislation and ensuring that our program is compliant with all aspects of the law.

From initial notification to premium billing, ACS can manage your COBRA/HIPAA program in strict compliance with all state and federal laws. Our program includes:

- **Timely Notification:** Once ACS receives notification of a qualifying event (QE), notifications and enrollment are processed within the legal timeframes. ACS also communicates with all necessary carriers to prevent disruption in coverage and to eliminate employer hassle.
- **Payment Collection:** ACS provides convenient payment coupons for plan participants and accepts all premium payments. Premiums will be deposited in a COBRA premium account and reimbursed to the employer at month end via ACH transfer.
- **HIPAA Certificates:** ACS can issue certificates of credible coverage upon termination and upon request, if the employers current carriers are not currently providing them. The Certificate is in compliance will all Department of Labor guidelines.

ACS Technology

ACS uses a Web based software platform that automates the administration process, allowing us to keep our administration costs affordable. It automatically identifies the qualifying event and benefit eligibility, and determines the length of eligibility. Provisions are made for notifying family members as well as the Principal Qualifying Beneficiary (PQB).

Our software automatically generates notification letters which begin the enrollment process, along with an enrollment form, a rate and benefit form, and a coverage certification. If the enrollment form or proper premium is not received on time, then a termination of coverage notification is automatically generated by the system for sending to qualified beneficiaries. At termination, another HIPAA coverage certification is automatically printed.

The system maintains a history of all events, dates of correspondence, copies of all system generated correspondence and compliance-required events so that complete information about each beneficiary can be easily obtained. Online access is available to Employers and participants, to view their account payment history, correspondence history, benefit coverage levels and allows Employers to access numerous report options.

Our automated tracking and letter generation system makes our process efficient while ensuring our compliance with all state and federal COBRA mandates. The system keeps an automatic “tickler” file for each participant and checks that file each time the system is used to see if any letters or forms must be generated to any participants that day. This automation reduces the chances for human error and helps us ensure compliance.

ACS has recently added a retiree premium billing system and the state-specific continuation module to make our services more comprehensive.

Account Management

Upon award, each group is assigned a designated account manager who will assist with program implementation. Groups are also assigned a designated COBRA Specialist, who will oversee the administration of your program and will be the day-to-day contact for your human resources department.

Program Overview

Allegiance COBRA Services’ COBRA/HIPAA administration program is comprehensive and provides the following services:

- **A COBRA packet** is sent to each Qualified Beneficiary (QB) upon notice of termination from Employer. Notice will go out no more than 14 days from the date ACS received the notice of termination. The COBRA packet can include the initial Certificate of Creditable Coverage, in the event the carrier is not currently providing them, based on coverage dates provided by Employer on notice of termination, in the event the carrier is not currently providing them.
- **Participant Enrollment:** ACS will enroll a PQB who signs up for COBRA into COBRA processing system. ACS will forward a copy of the PQB’s enrollment form to any applicable carriers to notify them that the participant has elected COBRA continuation in a manner acceptable to both parties (fax, mail, etc.)
- **ACS mails a confirmation** to acknowledge receipt of COBRA participant enrollment, along with coupon vouchers for the COBRA participant to use when remitting payment. COBRA participants will be instructed to make checks payable to Employer, and to mail them to ACS.
- **ACS collects COBRA premiums from participants.** COBRA Premium checks received from participants will be deposited in a COBRA premium account and reimbursed to the employer at month end via ACH transfer. In the event that employer cannot receive an ACH transfer, premium checks can be forwarded to employer for employer to deposit in account local to employer.

- **Eligibility Verification (optional):** ACS sends letters to all COBRA participants on a quarterly basis, verifying that the COBRA participant is still eligible for coverage.
- **Late Notices:** ACS sends a late notice on or approximately the 20th of each month to any COBRA participant who has not yet paid premium for that month's continued coverage.
- **Termination Notices:** ACS sends termination notices to all COBRA participants who have not paid premium by the end of the month. Notices go out approximately five days after the end of each month. Copies of termination notices will also go to any applicable carriers. Revised Certificates of Creditable Coverage will be included with the termination notices. ACS also sends termination notices to COBRA participants for all other applicable termination events, including the end of the COBRA period, voluntary cancellation of COBRA by the participant, etc. Revised Certificates of Creditable Coverage can be included in the termination notices.
- **Monthly Reports:** Employer will have online access to multiple reports available to them 24/7.
- **Open Enrollment:** Employer will notify ACS of any open enrollment anticipated or regularly held for employees under Employer's Plan at least thirty (30) days prior to any such open enrollment period, by providing applicable open enrollment information. ACS will send open enrollment documents to active COBRA participants

Introductory Notices

ACS will provide Introduction notices to current COBRA participants:

- Once initial setup is complete, ACS will notify all current COBRA participants of the new address to send COBRA payments.
- ACS will also mail coupon vouchers for COBRA participants to include with monthly payments.

Optional Services:

Initial Rights Notices

ACS can also provide the Initial Rights notices to all newly enrolled employees or dependents.

Retiree Billing

ACS offers retiree premium billing for our clients. Employer will be responsible for all enrollment and election processing. ACS will bill, collect and forward premiums to employer for payment to carriers.

State-Specific Continuation

ACS helps employers comply with state-mandated group health continuation laws. This is an area of concern with employers who have COBRA participants in the following states, but not limited to:

States	State-Specific COBRA Requirements (subject to change)
California	Cal-COBRA mandates a total of 36-months of continuation including COBRA coverage for those covered by insured plans/HMOs governed by CA laws. It also provides employees over age 60 at the time of their QE who have been employed by their employer for more than five years to remain on the group plan until age 65.
Georgia	Some continuees offered coverage until eligible for Medicare.
Illinois	Spouses may get coverage until eligible for Medicare.
Louisiana	Some continuees may continue coverage indefinitely.
Minnesota	Extensive state law, particularly with respect to the disabled and spouses.
Missouri	Extensive post-COBRA coverage for spouses.
New Hampshire	Post-COBRA coverage for some spouses.
Oregon	Complicated law, some post-COBRA plans dependent on age.
Rhode Island	“Infinite” coverage for spouses if specified by court.
Texas	State continuation “tacked on” once COBRA exhausted, as in Calif.

State-specific Continuation is an optional service that ACS provides to groups depending on their needs and is priced separately.

Program Implementation

To effectively begin the COBRA/HIPPA administration program, ACS has established the following checklist that describes the optimum implementation process. **The following items must be provided to ACS at least 30 days prior to the effective date of contract.**

- ❑ **Group Information:** Employer/Broker will provide ACS with the details of the group including:
 - a. Name of Employer Group, mailing address, group contact, phone number, fax number and e-mail address (if available).
 - b. Summary of each group's core and non-core benefits and whether or not benefits can be unbundled for COBRA choice.
 - c. Contact information for each Benefit Carrier.
 - d. Rates for each benefit.
 - e. Renewal date(s) for benefits.
 - f. Open enrollment information/packets (if applicable).
 - g. Information regarding conversion option (if applicable).

- ❑ **Current COBRA Participants:** Employer/Broker will provide ACS with a complete listing of all current COBRA participants for each group. The following information is required:
 - a. Name of each COBRA participant and the names of any family members also enrolled.
 - b. Address of each COBRA participant
 - c. Social Security Number (SSN) for each COBRA participant and covered family member.
 - d. Dates of birth for participant and family members.
 - e. Qualifying Event for each COBRA participant and the date COBRA began.
 - f. Paid-through date for each COBRA participant.
 - g. Scheduled COBRA ending date.
 - h. ARRA eligibility status.
 - i. Social Security disability extension if applicable
 - j. Benefit plans enrolled in at the time of the Qualifying Event.
 - k. Original effective date of coverage (for Certificate of Creditable Coverage info.)
 - l. Scheduled COBRA ending date.

- ❑ **COBRA Premium Processing:** COBRA Premium checks received from participants will be deposited in a COBRA premium account and reimbursed to the employer at month end via ACH transfer. Employer will provide Bank account information to ACS for ACH Transfer. In the event that employer cannot receive and ACH transfer, premium checks can be forwarded to employer for employer to deposit in account local to employer.