

## Compliance Corner: Distributing COBRA Notices

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### COBRA in General

The Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) amends sections of the Employee Retirement Income Security Act (ERISA), the Internal Revenue Code and the Public Health Service Act (PHSA). COBRA requires group health plans to offer “each qualified beneficiary who would otherwise lose coverage under the plan as a result of a qualifying event an opportunity to elect, within the election period, continuation coverage under the plan.”<sup>1</sup> COBRA law indicates seven qualifying events: termination, reduction in hours, divorce or legal separation, loss of dependent child status, employee’s entitlement to Medicare, death of the covered employee/retiree, employer’s bankruptcy (applies only to retirees).<sup>2</sup> It is important to note that the mere occurrence of one of these events will not result in COBRA eligibility. An event is a qualifying event only “if, under the terms of the group health plan,

<sup>1</sup> Treas. Reg. §54.4980B-1, Q/A 1(a)  
<sup>2</sup> Treas. Reg. §54.4980B-4, Q/A 1(b)

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## CONEXIS Embraces E-HERO™ Culture

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CONEXIS has launched E-HERO™, a program that focuses on helping the environment by making simple changes and leveraging evolving technologies to increase efficiencies while decreasing the company’s impact on the environment. Every CONEXIS employee has been challenged to be an E-HERO and they are encouraged to submit their ideas for workplace and environmental improvements to the CONEXIS Cares Committee.

“E-HERO simply means employing efficient practices that benefit the clients and participants we service while simultaneously decreasing negative environmental effects,” said Michael Close, President of CONEXIS. “By implementing various changes and increasing efficiencies, CONEXIS has established eco-friendly practices while streamlining our service delivery.”

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the event causes the covered employee, or the spouse or a dependent child of the covered employee, to lose coverage under the plan.”<sup>3</sup>

### Required COBRA Notices

COBRA requires that plan administrators furnish a variety of notices to active and former employees, as well as their covered spouses and dependents. These notices include the general notice and election notice, as well as a notice of early termination and notice of unavailability.

The COBRA general notice, also known as the initial notice, is perhaps the most critical of all required notices. This notice discloses important continuation coverage rights and responsibilities. Specifically, this notice gives details about COBRA provisions, including eligibility requirements, qualifying events, responsibility of notification, and a timeline for notification and payments. This notice also informs employees and spouses of their responsibility to notify the plan sponsor when they have a change of address, become legally separated or divorced, when a dependent loses dependent status under the plan, the occurrence of a second qualifying event, and a qualified beneficiary's determination of disability.<sup>4</sup>

### COBRA Notice Delivery Methods

Plan sponsors must send notices using methods that satisfy both COBRA and Department of Labor (DOL) statutory requirements. The DOL requires notices be sent using “measures reasonably calculated to ensure actual receipt of the material.”<sup>5</sup> Generally, the DOL recognizes four acceptable delivery methods: first-class mail, second- and third-class mail, hand delivery and electronic disclosure.<sup>6</sup>

1. First-class Mail – In the preamble to the 2004 final COBRA notice regulations, the DOL affirms that a required COBRA notice sent via first-class, certified or express mail is considered to be “furnished” by the plan sponsor on the mailing date.<sup>7</sup> First-class mail is the recommended delivery method.
2. Second- and Third-class Mail – Although second- and third-class mail methods are acceptable by DOL standards, these postal classes do not offer the same guarantees as first-class. When choosing to utilize one of these methods, return/forwarding postage as well as address correction must be requested and guaranteed.<sup>8</sup>

<sup>3</sup> Treas. Reg. §54.4980B-4, Q/A 1(c)

<sup>4</sup> Treas. Reg. §54.4980B-7, Q/A 5

<sup>5</sup> DOL Reg. § 2520.104b-1

<sup>6</sup> DOL Reg. § 2520.104b-1(b)(1)

<sup>7</sup> Preamble to Final DOL Regulations, 69 Fed. Reg. 30083, 30091 (May 26, 2004)

<sup>8</sup> DOL Reg. § 2520.104b-1(b)(1). Second- and third-class mail are obsolete terms according to the U.S. Postal Service Publication 32 (“Glossary of Postal Terms”) available at <http://www.usps.com/cpim/ftp/pubs/pub32.pdf> (as visited July 29, 2007). The terms currently used are “Periodical” and “Standard Mail (A)”

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3. Hand Delivery – This method of delivery is acceptable, however its practicality is questionable. For one, obtaining and maintaining proof of delivery for a hand-delivered notice is more difficult than using postal services. The method is further complicated in that simply supplying a notice to the covered employee does not satisfy COBRA's requirement to provide notices to covered spouses and dependents.
4. Electronic Disclosure – Although electronic distribution is acceptable, the rules surrounding such distribution can be burdensome and confusing and will deter many plan sponsors from using such a method.

According to the DOL guidance, an individual is considered as having received a COBRA notice, even if he or she did not receive it, as long as the plan administrator sends the notice in a manner that constitutes good-faith compliance with COBRA's notice requirements. The courts have adopted the legal presumption that a letter properly addressed, stamped and mailed is received by the person to whom it was addressed, commonly known as the Presumption of Receipt/Mailbox Rule. So, while the use of certified mail to send COBRA notices is an acceptable delivery method, the plan administrator may lose the benefit of the presumption of receipt if the qualified

beneficiary never retrieves the certified letter or if it is returned to the plan administrator as 'undelivered' (which introduces potential obligations to reissue the document).<sup>9</sup>

In general, hand delivery and electronic distribution are not recommended due to the difficulties and complexities associated with them. Plan sponsors choosing to employ these methods should, at a minimum, include a thorough written policy that specifies the procedure for distributing the notices; copies of the actual notices sent; and proof of distribution.

### Proof of Delivery

Plan sponsors may be required to provide proof of delivery, sometimes years later, so choosing an adequate and compliant delivery method is imperative. According to ERISA general recordkeeping rules, all items of proof and plan records should be maintained for a period of eight years.<sup>10</sup> However, COBRA regulations are not as explicit when it comes to maintaining notice records. Therefore, plan sponsors should consult legal counsel when determining an appropriate retention period in accordance with the statute of limitations in the jurisdiction in which the plan is administered.

<sup>9</sup> *Claudio-Gotay v. Becton Dickinson Caribe Ltd.*, 375 F.3d 99 (1<sup>st</sup> Cir. 2004); *DeGruise v. Sprint Corp.*, 279 F.3d 333 (5<sup>th</sup> Cir. 2002), *aff'd* 1999 U.S. Dist. LEXIS 10729 (E.D. La. July 8, 1999)

<sup>10</sup> ERISA § 107

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Adequate proof of delivery will typically include: 1) the method of delivery; 2) a copy of the notice sent to the covered employee and covered spouse with each individual's name, status and last known address. Ultimately, plan administrators must retain proof indicating who, what, where, when and how a notice was delivered.

### Consequences

Failure to provide required COBRA notices in a compliant and timely fashion can lead to significant legal consequences. It is important for plan sponsors to realize that COBRA penalties begin on the first day of noncompliance and continue until resolution. Therefore, plan administrators that have failed to provide notices to covered employees and their covered spouses should immediately distribute notices to these individuals and establish policies to ensure proper and compliant distribution to all newly covered employees and spouses in the future. 🌟

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## CONEXIS Embraces E-HERO™ Culture

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CONEXIS E-HERO initiatives include:

- *Electronic documents* – Wherever possible, paper notices and statements are being replaced with electronic notices delivered via email.
- *Increasing Direct Deposits* – CONEXIS has implemented various campaigns to increase the number of payments issued by direct deposit, saving paper and expediting claims payment to participants.
- *Duplex printing* – By transitioning to duplex printing, CONEXIS has dramatically decreased its paper usage and waste.
- *Eliminating Styrofoam cups* – CONEXIS provided an E-HERO coffee mug and drinking tumbler to each employee to eliminate the use of Styrofoam cups throughout its offices.

CONEXIS plans to implement many more E-HERO strategies in 2008. "As concern for environmental issues continue to rise, being an E-HERO is not only critical to the welfare of our environment, it is also personally rewarding," said Close. "We will continue to encourage our employees to strive to increase efficiencies and promote eco-friendly practices in our organization." 🌟



# Greening Healthcare: A Growing Number of Health Plans are Helping Preserve the Environment and Create Eco-friendly Workplaces

*Best's Review*

*Chordas, Lori*

When Kaiser Permanente introduced various energy conservation strategies across the company, it recognized a \$10 million annual savings. Since the company reduced its building's carbon footprint, it saved not only \$2 million in construction costs but more than 10 acres of land from development. And each year its various eco-efforts result in the elimination of 70 billion pounds of air pollutants and the disposal of 40 tons of hazardous chemicals.

These are just several ways in which the Oakland, Calif.-based company is "going green." It's undertaking a number of environmentally responsible initiatives to preserve the environment, reduce its carbon footprint and create a healthier workplace for its employees and patients.

Kaiser Permanente's not alone. A growing number of local and national health plans are making significant strides on the green front--everything from incorporating the use of more eco-friendly products to reducing waste and minimizing energy consumption.

## War of the Worlds

The green movement isn't new. Much of America's environmental responsibility efforts go back to the "Keep America Beautiful" campaign launched in 1961, which focused on litter prevention, the waste hierarchy and community beautification.

Since then, environmentally friendly products and efforts have reached an all-time high.

There's good reason for concern. More than 2.5 million plastic beverage bottles are disposed of every hour; every gallon of gas used by cars emits nearly 19 pounds of carbon dioxide into the atmosphere; and 6,000 gallons of water a month are wasted from a single 1/32-of-an-inch leak in a faucet, according to a "Going Green" article on geocities.com.

Companies are attempting to change that. Nearly 45% of 1,400 small and midsize businesses in a recent IBM Global Survey said

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they have some type of environmental policy in place. They cite energy expenses as the biggest cost increase over the past two years, surpassing health care, payroll, rent and equipment.

### Green Light

It's a green light for health plans' attempts to go green.

Initiatives range from simple steps, such as turning off equipment each evening and using ground shipping that burns less fuel and generates less pollution, to more costly endeavors such as experimenting with green roofs (vegetated layers that sit on top of buildings' conventional roof surfaces).

Many carriers' initiatives generally fall within three key areas: recycling, energy reduction and water conservation.

### Recycling

While recycling and the use of recycled products is one of the most common first steps for many companies, the long-term payoffs are significant. According to the Go Green Initiative--a program designed to create a

culture of environmental responsibility on U.S. school campuses--for every ton of paper that's recycled, 7,000 gallons of water, 380 gallons of oil, and enough electricity to power an average house for six hours are saved.

Recycling paper, cardboard, plastics and other materials has been a part of the Kaiser Permanente culture for five decades. In 2005, the company expanded on that by changing its standard for flooring from vinyl to PVC-free rubber. PVC, or polyvinyl chloride, in vinyl releases dioxins when created and unleashes other harmful particulates when in use. Kaiser Permanente has installed the safer flooring in its new Medesdo hospital, and expects the new flooring to cut maintenance costs by as much as 80% and reduce workplace injuries.

Humana Inc. plans to soon launch a broader recycling pilot in Louisville, Ky. Employee trash cans will become recycle containers with a new side caddy that will be used for trash. "Most of what's in the garbage can be recycled anyway," said David Noltemeyer, governance manager for the Workplace Solutions Team.

Blue Cross and Blue Shield of Florida slashed recycling of shredded paper from 2.25 million

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pounds in 2005 to 1.68 million pounds last year. It also recycles nearly 600,000 pounds of cardboard, newspapers and nonsecure documents, which includes more than 150 900-pound bales of computer paper's perforated edges annually, said Robert Hamilton, director of engineering and building services.

Technology also is helping the cause. Many health plans are encouraging members to submit claims, applications and other information electronically to become more paperless.

### Energy Conservation

Energy conservation is at the core of Blue Cross and Blue Shield of Florida's green crusade. It's replaced more than 4,000 lighting fixtures with electronic ballast and lower-watt bulbs, upgraded to a higher efficiency chiller plant and variable frequency drives on all air handlers, reclaimed parking lot runoff water to maintain 30 acres of landscaping, and moved to a multifunctional printer that prints, faxes, scans and copies. "One thing we haven't done yet is put in a formal program to certifiability," Hamilton said.

Many health plans are installing automatic motion sensors to turn off lights in unoccupied rooms. Helena Hoffman, senior manager of facilities, said in addition to using the sensors, Blue Shield of California expects to see a 22% annual energy savings at its El Dorado Hills campus from its 2007 relamping project.

Carriers also are trying to reduce costly computer hardware component and data center energy expenses. The Florida Blues is moving to a virtualization model increasing hardware resource utilization harvesting more use of the power consumption. The company also implemented the Energy Star efficiency requirement as a goal for all new enterprise IT hardware. Data center servers, desktops, laptops and monitors also are configured for a low-power consumption state ("sleep mode") when not in use to conserve energy.

In 2007, Humana partnered with Energy Star, a government-based program helping businesses and individuals protect the environment through superior energy efficiency. Humana uses tools and strategies provided and promoted by Energy Star, and is committed to

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developing and implementing a plan to reduce energy intensity across its facilities and operations, Noltemeyer said.

### Water Conservation

To conserve water, Kaiser Permanente transitioned to xeriscaping, landscaping with native plants requiring less water to maintain. The company also incorporated permeable paving on some projects, enabling rainfall to soak back through the ground into the aquifer, rather than through waste water treatment centers.

Part of UnitedHealth Group's recent sustainability efforts include water consumption reducers on sinks and low-flow urinal systems. Bruce Bundgaard, director of workplace delivery, expects annual savings of nearly 26,000 gallons of water per fixture.

Other operational areas across facilities also are going green.

The Florida Blues' janitorial company uses a documented green process. It uses lint-free, reusable microfiber cloths and only one chemical for 90% of the cleaning. The cleaning

team follows a process known as "clean path," which allows them to turn off lights earlier in the evening after cleaning each floor, said Hamilton.

Healthier food selections also are something some plans are chewing on. Kaiser Permanente now operates 35 farmers markets on its campuses to offer employees "exposure to the right kind of produce and ensure economic reinvestment back into the local community," said Chief Procurement Officer Dean Edwards. Last year, Kaiser Permanente used nearly 60 tons of local produce on more than 6,000 patient trays served daily in Northern California, he said.

Kaiser Permanente also has transitioned more than 30 of its trucks to biodiesel to help reduce greenhouse gases. That's taking a significant bite out of the \$300,000-plus it spends to buy 115,000 gallons of diesel fuel each year, not to mention improving air quality. Long-term exposure to diesel fumes is a leading cause of lung cancer, according to the U.S. Environmental Protection Agency.

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### It Is Easy Being Green

#### Why is going green so important?

"We want to make every effort to lower our carbon footprint," said Bundgaard.

In addition, Humana's Noltemeyer said, "Many employees in today's talent pool are looking for employers of choice, and one of the biggest concerns is that companies are sustainable. It's important to have our associates work in green buildings."

Kaiser Permanente recently implemented an environmentally preferred purchasing policy to ensure the purchase of environmentally safe products and medical equipment. "We require disclosure from manufacturers about products and any toxins in them, such as mercury, lead, latex, PVC, carcinogens and other potentially hazardous materials," said Edwards.

Last October, Kaiser Permanente teamed up with 20 other health systems to form the Global Health and Safety Initiative, a national social movement to improve patient safety, workplace safety and environmental safety and sustainability. The group identifies products deemed safe and shares best practices.

"We're now challenging suppliers that there's no reason why environmentally preferred products should cost any more than traditional products," Edwards said. "In fact, it should be more cost effective because you don't have to pay for recycling and it's easier on workers' health and to operate a working environment."

He said, "One of the key messages for us is to look at the total cost of ownership. It's not just the price you pay but what a product costs over its entire life cycle."

That's important because California produces one-third of all greenhouse gases in the United States, and health care is the second-largest user of energy in the nation, said Christine Malcolm, senior vice president for Kaiser Permanente's hospital strategy and national facilities.

"If we wanted to reduce our carbon footprint to zero, we'd have to plant 350,000 acres of new forest each year. If health-care facilities don't respond to the climate crisis and don't minimize toxic chemicals, there's no way to change this," she said.

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### Seeing the Green

Many plans' green efforts are turning to gold when it comes to helping their bottom lines.

By downsizing one of its older data centers and turning down uninterruptible power supply modules and unnecessary air conditioning units, the Florida Blue plan expects \$6,000 in annual energy savings, said Hamilton.

Aetna estimates its recycled content management efforts, such as encouraging employees to use laptops in meetings, saved about \$50 million in paper reduction in 2006 alone.

"It just makes good sense to save money because, as a public company, we're very efficiency-minded and trying to cut costs where we can. But we're also very aware of our environmental impact and committed to doing our part to reduce energy consumption and identify environmental issues," said Aetna spokesman Fred Laberge.

The payoffs don't end there. "As a health company, being eco-friendly ties directly into our mission because there's an important wellness factor to it. For example, we're very

concerned about air quality and ensuring employees are healthy. Helping the environment helps individuals to remain healthier," Laberge said, citing allergies, asthma and other respiratory diseases as examples of conditions that can be impacted.

### Greener Pastures Ahead

So, what's the cost of going green?

"There's no doubt the initial investment for sustainable solutions and building products is higher," said Blue Shield of California's Hoffman. "We are committed to using more sustainable designs. Doing the right thing and supporting a healthier environment for our members, leaving that footprint behind in California and providing a healthier workplace is important."

The next step for several carriers will be to establish metrics and baselines to measure their carbon footprint and use of their largest resources such as paper, water and electricity.

"As we go forward, we'll continue to bring up and test new ideas and document our savings and successes to get a better understanding

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of what we can do to promote true sustainability," said Florida Blues' Hamilton.

### Green Patrol

Health plan employees are becoming green crusaders. Several plans encourage their staffs to use public transportation to help reduce the overall carbon footprint. Aetna offers employees a \$50 monthly subsidy to opt for public transportation or ride-sharing rather than driving alone to work.

In a similar effort, Humana Inc. recently teamed up with the Louisville, Ky. transit authority to encourage employees to take public transportation to and from work. Humana also offers its Freewheelin' program that allows associates to check out a bike for free to ride to lunch, between sites or for recreational purposes.

Last year, Highmark Inc. celebrated environmental leadership days, bringing together employees, four local nonprofits and the community to raise awareness about green buildings, health and environmental issues and sustainability.

"The idea is to start with employees with things like the leadership days event and monthly articles on the intranet about ways they can help at home and work," "We want them to understand our commitment and be able to help us become green ambassadors and take the message into the community."

Community efforts are a part of UnitedHealth Group's culture. The company partners with nonprofit Volunteer-Match, which helps match employees with community volunteer opportunities. For instance, several UnitedHealth employees recently helped clean up a school in Minneapolis, said Andy Tousignant, vice president of business social responsibility.

"Employees are passionate about what we're doing--everything from offering them ergonomic furniture to ensuring they're not exposed to toxic chemicals. They're the ones often closest to things that could be most dangerous," said Christine Malcolm, senior vice president for Kaiser Permanente's hospital strategy and national facilities.

"Our staff also is a great source of innovative ideas about how we can better help create a healthier environment and workplace," she said.

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- *What's the Story:* The nation's renewed green focus is spilling over into the health insurance and health-care industries.
- *What's Being Done:* Many health plans are incorporating green initiatives, ranging from recycling to water conservation and reducing energy consumption.
- *What Lies Ahead:* Some carriers are developing metrics and baselines to measure their carbon footprints.

### Taking the LEED

A growing number of are designing LEED-certified buildings. The Leadership in Energy and Environmental Design Green Building Rating System, developed by the U.S. Green Building Council, is the nationally accepted benchmark for the design, construction and operation of high performance green buildings. The LEED rating system addresses six major areas: sustainable sites, water efficiency, energy and atmosphere, materials and resources, indoor environmental quality, and innovation and design process.

The American Institute of Architects said that buildings are one of the greatest contributors to

global climate change and produce approximately one-third of carbon dioxide emissions.

In 2005, Highmark Inc. opened a LEED-certified, silver-category data center that incorporates storm water management, erosion and water control and energy savings. Now it's renovating 612,000 square feet in its campus of buildings according to LEED standards, and plans to use Six Sigma Process Improvement tools in its projects.

"We'll frame them in a way that will look at sustainability and environmental friendliness in our business solutions, such as incentivizing members to receive explanations of benefits online rather than on paper," said Sustainability Coordinator Phyllis Barber.

Blue Cross Blue Shield of Massachusetts is seeking silver LEED certification for its new facility in Hingham, Mass. The design of the facility focused on three green features, including healthy indoor air quality, access to natural light and the integration of the facility into its natural environment.

The design allows access to natural light in 95% of the working environment and includes high-performance exterior walls and energy efficient low-E glass to reduce heat loss in the

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winter and heat gain in the summer. The design also includes the use of interior finishes such as carpeting, paints and furnishings with low volatile organic compound materials to eliminate off-gassing. Efficient plumbing fixtures help reduce water usage by 20%; landscaping is water-efficient; and the building materials contain more than 21% recycled content. The building will be maintained with green housekeeping products to eliminate toxic emissions in the air.

"LEED or green design provides a healthy and productive environment for our associates and visitors," said Don DiPanfilo, vice president of corporate real estate and administrative services. "The more productive our associates are increases the quality and efficiency of services that our members receive."

DiPanfilo expects 25% savings through energy and operational efficiencies due to sustainable design.

He said one way the Blue plan is meeting LEED criteria is by purchasing renewable energy credits, which is a certifiable way to reduce greenhouse gas emissions. "Purchasing renewable energy credits ensures that the electricity [the new facility] uses is replaced by renewable wind power," DiPanfilo said.

Aema struck gold when it came to certifying its newly-designed customer center in Connecticut. Incorporation of Energy Star-certified devices, maximum natural light, renewable materials

such as bamboo and cork flooring, and low-water and energy consumption helped the company meet LEED's gold standard for green buildings. 

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#### About CONEXIS

For more than 20 years, CONEXIS has delivered a wide range of employee benefit administration solutions to employers, third party administrators (TPAs), business outsourcing partners and health plans across the nation. Specializing in the complex areas of administration and compliance, its expertise includes COBRA and HIPAA Administrative Services; Direct Bill Services for Retirees, Leave of Absence (LOA) and Family Medical Leave Act (FMLA); and Reimbursement Account Administration, including Section 125 Flexible Spending Accounts (FSA), Section 132 Transportation Plans, Section 105 Health Reimbursement Arrangements (HRA), and Health Savings Accounts (HSA). CONEXIS was the nation's first outsourcing provider to offer benefits administration on a single Web-based, fully integrated system and is the only benefits administrator to offer performance standards and guarantees to all clients, regardless of size. CONEXIS, headquartered in Dallas, Texas, with a customer service center in Orange, California, is a Word and Brown company. For more information, visit the company's Web site at [www.conexis.com](http://www.conexis.com).