



COBRA Administration & Health Services, Inc.

COBRA PENALTIES FOR NONCOMPLIANCE

Internal Revenue

- Nondeductible excise tax of up to **\$100** per day per violation for each qualifying beneficiary (i.e., family of four would result in an excise tax of \$400 per day) during the noncompliance period.
- Employer contributions for the plan are disallowed

ERISA Violations

- Violations before 7/29/97: up to **\$100** per day per violation
- Violations after 7/29/97: up to **\$110** per day per violation
- Other judgments, costs or damages
- Audit and/or enforcement action by Department of Labor

Public Health Services Act Violations

- Applicable to state and local governments
- Action for “appropriate equitable relief”

Private Lawsuits Against Employers and Plans

- Employers can be liable for payment of health care claims and fines

Actual Example of Charges Incurred due to Noncompliance:

A local RI company failed to notify a former employee and his spouse of their option to continue benefits under COBRA. Four months after leaving the company the employee was in a car accident, and through the hospital the employee was informed of COBRA benefits.

*In summary, the employer was charged over **\$50,000** in fines and penalties from the Department of Labor and Internal Revenue, as well as over **\$125,000** in medical bills due to the accident. There presumably will be additional charges since a lawsuit has been filed by the former employee.*