



## A \$24,000 Overpayment may be Lurking—

*Watch out for  
“Riders on the Plan!”*

By: Robert Meyers

Sure you're familiar with The Doors' hit, "Riders on the Storm," but have you heard of "Riders on the Plan?" Many employers have a few and they can spell bad news for unsuspecting employers. In fact, over the past three weeks, I've heard from three different companies – each facing a significant overpayment situation. One employer discovered a past COBRA participant had inadvertently been left on the carrier bill for a full year. Another found a former participant who had been left on the carrier invoice for two years. In the worst scenario, the overpayment spanned 2 1/2 years and added up to an insurance premium overpayment of \$24,000. Since health insurance companies only go back 60 days to remove an inactive participant, the most that employer can recoup is two months of premium – the rest of the money is out the door!



Oversights like these are less noticeable when business is strong and focus is on the top line. But in tough times, when focus is on the bottom line, huge overpayments can be disastrous. Below are a few quick tips to help stay on track and keep overpayments in check.

**Reconcile your participants regularly.** Employers should account for everyone on carrier bills and validate each person on a monthly basis. If you don't know who the participant is or why the participant is listed on the bill, find out. Don't just take the carrier's word for it. The carrier may have made a mistake and inadvertently left someone on the bill even after being instructed to remove the individual.

**Beware of guard-changing.** Just as participants come and go, employers need to be particularly diligent about HR staff turnover, carrier changes and administrator changes. Anytime there's a change in who is billing or who is reviewing the bill, the possibilities for error abound. The best practice is to diligently review and reconcile bills anytime there's a changing of the guard and validate each person from top to bottom. This applies to COBRA, but it also applies to FMLA and disability and all other benefits. It's a sound practice to apply across the board.

**Compare reports.** Employers shouldn't rely solely on their own records. It's a good idea to pull the reports from the COBRA administrator, payroll administrator and other complimentary systems on at least a quarterly basis to see who is shown as active and pending. Remember, you not only have to be conscious of people on the bill today but of the people who are coming on the bill tomorrow!

Even with the most thorough validation criteria, managing carrier invoices can be difficult. And with the ARRA premium subsidy, an additional layer of complexity is added, creating new challenges and headaches never before imagined by employers or their administrators.

As an employer, your best strategy is to stay ahead of the storm by eliminating "Riders on the Plan." Not only will you prevent outrageous overpayments, you'll help minimize the risk of penalties and fines for COBRA non-compliance.

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