

One of the easiest and most important things to outsource is COBRA administration. Not only does it meet my VICE criteria, but it is something that carries a big potential liability and can create significant discord in the workplace.

Is it something that adds **V**alue to your operation?

No it doesn't! The need to provide COBRA has arisen because you terminated an employee who wants to continue medical coverage. However badly you felt about having to terminate this person, you no longer have a business relationship with them, and running your business requires that you spend the least possible amount of time on them going forward.

Is it worth the **I**nterest to learn how to do it?

Unless you fire a lot of people and plan to continue doing so, the effort to learn the COBRA rules is a complete and utter waste of time. Why would you or your people make an investment to learn something that comes up so infrequently? Incidentally, if you think that just telling your bookkeeper to do it is a good idea because they have the time to do it, then you are mismanaging and there are much more productive ways that you can fill their day.

Does it form part of your core **C**ompetence?

Silly question, right? Unless you are a benefits consulting firm, how could it? Yet so many businesses I meet have taken on this function because it is there and needs to be done. If it wasn't so depressing, it would be a wonderful example of the "Tyranny of the Urgent" in action. A task comes up that is urgent but supremely unimportant to the goals of the business and instead of figuring out how to accomplish it without effort, we simply say..."OK we'll take that on". Crazy

Can it be done by somebody **E**lse at less overall cost?

There are a myriad of resources that can handle this for you....and at very reasonable cost. Your insurance broker may be able to help directly, and if they don't offer the service they should be able to recommend somebody. If they can't do either, you probably need a new broker!

There are two additional things that play very strongly into the argument to outsource COBRA Administration.

Firstly, it carries a huge potential liability. There are complicated rules and the downside of not complying to them is that you become liable for paying for the medical benefits that are not available under COBRA because you made a mistake. The long list of mistakes ranges from failing to send the notice out properly all the way to not sending the premium check in a timely fashion because it is outside your normal scope of operations.

Secondly, it can put you in an unnecessarily adversarial relationship with somebody you just fired. An already potentially difficult relationship can be soured because of COBRA problems.

Outsourcing COBRA Administration

Category: Outsourcing

The ex employee is a day late with a notice or a check and COBRA is invalid. If you are handling the administration and have to be the one to deliver the message, it is imbued with employee bitterness because you are part of the process. If you are removed from the process and a third party is simply administering the rules, that dynamic is eliminated.

I see no reason whatsoever to handle COBRA Administration in house. The costs of outsourcing it are minimal, the exposure if you do it yourself huge ...and it is just a VICE to handle it yourself.