

Linden v. Harding Tube v. ADP COBRA Services, Inc.

(United States District Court, Eastern District of Michigan, 2005 U.S. Dist. LEXIS 21574 (E.D. Mich. 2005))

An employer and its COBRA administrator recently received an expensive reminder that notice time frames are inflexible.

In this case, a Michigan District Court awarded almost \$63,000 to a participant to cover claims that were unpaid due to an untimely election notice.

Harding Tube terminated Francis Czaplicki's employment on June 15, 2001. In late July, Czaplicki was admitted to a hospital for about two months. In late August, Harding Tube became aware of its oversight and instructed ADP, its COBRA administrator, to send the election notice. ADP did not send the election notice until November 7, 2001.

Huron Valley Hospital, the hospital that treated Czaplicki, authorized MedAssist to coordinate the COBRA election and handle COBRA payments. MedAssist sent ADP payment for three months of coverage, but there was some dispute as to whether ADP ever forwarded the premium payment to Harding Tube. Thus, no insurance coverage existed for those months to cover claims that totaled \$62,923.45.

The Court ruled that Howard Linden— now the personal representative of the estate of Czaplicki, who died in 2003 — was entitled to reimbursement for the claims. The court decided that neither Harding nor ADP was entitled to judgement against each other. Harding Tube was ordered to pay \$62,923.45 in claims.

COBRA regulations require election notices to be sent within 44 days. The outcome could have been worse. The court could have assessed a \$110 daily penalty for the failure to send a timely notice. For employers, this case underscores the importance of monitoring the outsourced COBRA relationship and ensuring that each party is fulfilling its contracted duties.