

COBRA Q & A

1) What changes were recently made to coverage continuation provisions of the Consolidated Omnibus Budget Reconciliation Act (COBRA)?

The American Recovery and Reinvestment Act (ARRA) signed into effect by President Obama on February 17, 2009 provides a subsidy for COBRA premiums for individuals involuntarily terminated between September 1, 2008 and December 31, 2009 who are otherwise eligible for COBRA.

2) When is the subsidy effective?

The subsidy is effective for the first period of coverage beginning on or after February 17, 2009. In the case of a group health plan that provides and charges for COBRA continuation coverage on a monthly basis, the effective date is March 1, 2009.

5) How much is the subsidy and how long does it last?

The subsidy is 65 percent of the continuation amount charged to an individual to continue his or her coverage and lasts for a maximum of **nine months**. For example, if the premium charged monthly to continue COBRA is \$100, the subsidy is \$65 and the individual pays \$35 for **up to nine months**. It terminates earlier if the individual becomes eligible for other health plan coverage.

4) Who is eligible for the subsidy?

- Individuals **involuntarily** terminated between September 1, 2008 and December 31, 2009 who are otherwise eligible for COBRA.
- Spouses and dependents of these individuals, without any other coverage, are also eligible for the subsidy.

5) Who is not eligible for the subsidy?

- Individuals terminated prior to September 1, 2008, whether or not they elected COBRA, are not eligible for the subsidy.
- Individuals terminated for gross misconduct are not eligible for the subsidy.
- Individuals with an annual gross income (AGI) between \$125,000 and \$145,000, or joint filers with an AGI between \$250,000 and \$290,000, will have the subsidy phased out. Individuals and joint filers with AGIs exceeding \$145,000 and \$290,000 respectively are not eligible for the subsidy.

6) How will employers/insurers be reimbursed for the subsidy?

Reimbursement for the subsidy will take the form of a refundable payroll tax credit. If the subsidy exceeds the tax liability, the government will issue a refund.

7) What immediate actions do employers/insurers have to take at this time?

- Modify COBRA election notices or provide separate, supplemental notices to all individuals eligible for COBRA during the period beginning September 1, 2008 through December 31, 2009. The Departments of Labor, Treasury and Health and Human Services are charged with developing a model notice within 30 days of the February 17, 2009 enactment.
- Offer individuals who are eligible for the subsidy a special 60-day period in which to elect coverage. The 60-day period begins on the date these individuals are notified. Employers must provide notification within 60 days of the February 17, 2009 enactment and no later than April 18, 2009.

8) Are employers/insurers required to allow an individual eligible for the COBRA subsidy the option to change his or her insurance coverage option?

An employer/insurer is not required to allow an individual eligible for the COBRA subsidy to change his or her insurance coverage option. If they do allow this change in coverage option, the plan must have the same or lower premiums and must also be made available to non-COBRA active employees under the plan. COBRA beneficiaries are generally given the ability to change plan options during an employer's normal open enrollment.

9) What plans are eligible for the subsidy?

All health plans currently eligible for COBRA, except Flexible Spending Accounts; coverage under state continuation laws; and continuation coverage under health plans maintained by state or federal governments.