

Employer Alert! New Stimulus Package changes Employer COBRA Obligations!

The American Recovery and Reinvestment Act of 2009 includes a federal government subsidy for COBRA premiums and allows certain individuals a second opportunity to elect COBRA coverage.

Key Points of the Subsidy

- The federal government subsidy granted by the Act totals 65% of COBRA premiums for up to 9 months.
- Employees covered by the provision, will only be charged 35% of the regular COBRA premiums by the group health plans offering that coverage.
- Employers may seek reimbursement for their 65% share from the federal government in the form of a credit against payroll taxes.
- The administrative process to seek the payroll tax credit requires Plan Sponsors to submit reports detailing the amount of the credit, as well as an estimate of any future credit they believe they may be entitled to in the future.
- The subsidy begins at the next COBRA coverage period beginning after the date of the Act. For plans that use calendar months, this will be **March 1, 2009**.
- The subsidy ends at the earliest of the following: (1) the date the COBRA beneficiary becomes eligible for other group health plan coverage, (2) nine months after the subsidy began, (3) the end of the maximum COBRA coverage period.

Who is Eligible for the Subsidy?

The COBRA premium subsidy is applicable to individuals who:

- Have involuntarily lost their employment (for reasons other than gross misconduct) between September 1, 2008 – December 31, 2009
- Have an annual income of less than \$125,000 if single or less than \$250,000 if filing a joint tax return.

- Who was involuntarily terminated from employment on or after September 1, 2008 and did not elect COBRA coverage or dropped coverage. Special notices will be sent alerting these individuals of a second opportunity to elect the COBRA coverage. If the individual elects the COBRA coverage within 60 days of the “second opportunity notification” they will be eligible for the subsidy.

Employer Action Items

- Notify individuals eligible for the subsidy of the reduced premium amount
- Identify qualified beneficiaries eligible for special COBRA election and send eligibility notification.
The U.S Department of Labor is required to issue model notices for employers to use within 30 days. Employers are expected to send the model notices out within 60 days to those who are eligible but have declined or dropped coverage
- Contact employee benefits providers to ensure that the subsidy is properly reflected on future COBRA premium bills
- Contact payroll providers to ensure the subsidy offset against payroll taxes is processed

If you have additional questions about how the subsidy will impact your group health care plan's COBRA obligation, please contact Judy Davis at 413-750-7133.

Free Seminar:
Employer Alert!! New Stimulus Package Changes – Employer COBRA Obligations
Thursday, March 19th
Springfield Country Club
11:30 to 1:00 Lunch Session
Seating is limited, you must register to attend, contact Crystal Ortiz at (413) 750-7115

