

FEDERAL COBRA Changes

American Recovery and Reinvestment Act (ARRA)

WHAT...are the changes?

- The date of eligibility for premium subsidy has changed from December 31, 2009 to February 28, 2010. Thus, those individuals who become eligible for COBRA due to involuntary termination anytime from September 1, 2009 through February 28, 2010 are eligible for the subsidy.
- The length of the subsidy has increased from 9 months to 15 months. Note that the length of the COBRA subsidy does not affect the actual length of coverage, but effects the premium amount.
- There are two categories of individuals: 1- those who termed their COBRA and 2- those who paid full premium.
 - 1- For participants who terminated their COBRA coverage at the end of their subsidy period have the option to retroactively pay the premiums for the additional six months (by February 17, 2010 or 30 days after receipt of notice of the extension, whichever is later).
 - **EXAMPLE:** Employee John Smith was involuntarily terminated. He began COBRA coverage on March 1, 2009 and paid subsidized premiums. On November 30th, 2009, his 9 months of subsidy ended and he cancelled his coverage because he could not afford the full premium amount. His transition period would start December 1, 2009. John can now pay the subsidized premium amount for December and be reinstated with no lapse in coverage for a total of 6 additional months of subsidized premiums through May 31, 2010 when he would no longer be eligible for the subsidy and his premium would change back to the full amount.
 - 2- If the COBRA participant paid the full COBRA premium after the 9-month subsidy period ended and is now eligible for additional assistance, the employer must reimburse the individual for excess premium paid or credit the excess premium to reduce later premium payments.
 - **EXAMPLE:** If John had decided to keep his coverage and pay full premium in December, then John's company would choose to either reimburse him the difference between the full premium and subsidized premium or reduce his future payments by the difference of the two amounts.

WHAT...has NOT changed?

- The eligible COBRA participant pays 35% of 102% of the premium.
- The subsidy is available for those who involuntarily lose their job including all layoffs.

HOW...to proceed?

- Employers or their COBRA administrators must provide notice of the subsidy extension to individuals who are COBRA eligible on or after October 31, 2009. These notices must be sent out by February 17, 2010.
- Election notices for those individuals who experience a qualifying event on or after December 19, 2009, must include information regarding the subsidy extension.
- Notices must be sent to those who are eligible to make retroactive premium payments because they let their COBRA coverage expire once their subsidy period ended.
 - Must notify within the first 60 days of the individual's transition period which includes any period of coverage beginning before December 19, 2009, that will now be covered by the subsidy due to the extension.
- Notices must also be sent to those who are entitled to receive reimbursement or credit because they are eligible for additional assistance, but paid the full amount of the premium coverage.
 - Must notify within the first 60 days of the individual's transition period which includes any period of coverage beginning before December 19, 2009 that will now be covered by the subsidy due to the extension.
- All updated notices can be found here: <http://www.dol.gov/ebsa/COBRAmodeInotice.html>
 - Use the *Updated General Notice* for those who experience a qualifying event at any time from September 1, 2008 through February 28, 2010 regardless of the type of qualifying event. This includes updated information on the premium reduction as well as information required in a COBRA election notice. (Please note: the Word document is in tracking mode. To turn this off, go to Review and click on *Track Changes* to disable.)
 - Use the *Premium Assistance Extension Notice* for those individuals who have already been provided a COBRA election notice that did not include information regarding ARRA, as amended including assistance eligible individuals as of October 31, 2009 as well as those in the transition period. (Please note: the Word document is in tracking mode. To turn this off, go to Review and click on *Track Changes* to disable.)