

Changes to COBRA - Economic Stimulus Package 2009

Item	Summary
1. Subsidy eligibility (Assistance Eligible Individuals)	<p>Qualifying Event: Loss of health coverage due to involuntary loss of employment between 9/1/2008 and 12/31/2009 Income Limitation: (Modified Adjusted Gross Income) Single- annual income <\$125k Family- annual income <\$250K</p>
2. Amount of subsidy	<p>Individual pays 35% of COBRA premium and 65% of premium is subsidized by employer (which the employer may then claim as a credit against wage withholdings and payroll taxes)</p>
3. Duration of subsidized COBRA Coverage	<p>9 month maximum period, followed by unsubsidized coverage for up to 9 more months (i.e., to a total of 18 months of coverage as under current COBRA rules). An Assistance Eligible Individual's entitlement to the Subsidy ends when they become eligible (not covered) by other group health coverage, or Medicare, or reach the end of their maximum COBRA continuation period. (A penalty equal to 110% of the subsidy received after becoming eligible for other coverage will be assessed.)</p>
4. Subsidy effective Date	<p>Subsidy takes effect on the first 'period of coverage' following the enactment date, which was 2/17/09. In most cases the subsidy will take effect on 3/1/09.</p>
5. Notice Requirements	<p>Within 60 days from the date of enactment (2/17/09), modified COBRA election notices must be sent to all Assistance Eligible Individuals who had a qualifying event on or after 9/1/08 and before the date of enactment (2/17/09). The modified COBRA election notices must also be used on a go-forward basis for all COBRA eligible individuals who had a qualifying event on or after 2/17/09 and before 1/1/2010, regardless of 'Assistance Eligibility'. The Act states that the Department of Labor will be providing model notice language by 3/17/09 (within 30 days of enactment).</p>
6. Special election period	<p>A 60 day special election period following the delivery of the modified election notice must be provided for those eligible for the subsidy if they had not previously elected COBRA, and if they had elected COBRA and had subsequently terminated prior to the enactment date (e.g. due to non-payment of premium).</p>
7. Option to elect other coverage	<p>Employers are allowed (not required) to offer Assistance Eligible Individuals to elect any health plan option offered to active employees which has the same or lower premium as the coverage they had as an active employee prior to their COBRA qualifying event.</p>
8. Payroll tax credit	<p>A payment equal to 35% of the COBRA premium is needed from the Assistance Eligible Individual for the premium to be considered paid in full. The remaining 65% paid by the employer, insurer, or plan, which will then be reimbursed via payroll tax credits by the Government. (Specific details on the credit process will be issued by the Treasury and IRS in the near future.)</p>