

Approved Stimulus Bill with COBRA Provisions

The American Recovery and Reinvestment Act of 2009 (Act) was signed by President Obama on February 17, 2009 and will go into effect March 1, 2009. The Act allows certain eligible individuals to apply for premium assistance to offset the cost of COBRA continuation coverage for a maximum of 9 months. Highlights of the COBRA provisions include:

1. Qualifying event for premium subsidy:	Loss of health coverage due to involuntary loss of employment between September 1, 2008, and December 31, 2009.
2. Amount of subsidy:	Individual pays 35% of applicable COBRA premium and 65% of premium is subsidized by employer.
3. Duration of subsidy:	Maximum of 9 months subsidy for COBRA coverage. Subsidy ends sooner if individual becomes eligible for coverage under another group health plan or Medicare.
4. Effective date of subsidy:	Subsidy effective for any premium for a period of coverage beginning on March 1, 2009.
5. Option to change coverage:	Employers may offer eligible individuals another health plan option (see details below).

In order to qualify for the premium subsidy, the individual must involuntarily lose their employment (for reasons other than gross misconduct) between September 1, 2008 and December 31, 2009. Those who retire or otherwise terminate their employment voluntarily, and those who become eligible for COBRA coverage as a result of reduced hours, divorce, loss of dependent status or another qualifying event are not eligible for subsidized coverage. Please also note that employers with under 20 employees are not included in this Act.

Acclaim Benefits is responding with the following actions:

- Provide clients with a report of QB events on our client portal website from September 1, 2008 and thereafter.
- Calculate appropriate premiums and provide notices required by the Act to COBRA qualified beneficiaries who may be eligible for the subsidy.
- Report subsidized dollars back to employer for subsidy credits.

Action items for employers:

- Identify all those qualified beneficiaries who are or were eligible for COBRA by virtue of a qualifying event that was an involuntary termination of employment occurring effective September 1, 2008 through current. Consider the following:
 1. Include all involuntary terminations including those terminated for poor performance.
 2. Dependents must be defined by federal definition (do not include same-sex domestic partners).
- Submit the list of qualified beneficiaries to Acclaim Benefits by **March 13, 2009**.
- Determine if you wish to offer the ability to elect a different coverage option. Consider the following:
 1. The "different" health plan must also be available to active employees.
 2. The premium for this coverage may not exceed the premium cost for the plan they were originally offered.
 3. The coverage can not be a limited coverage plan.
 4. If offering an additional plan option, you must provide the qualified beneficiary 90 days to elect. Potentially a qualified beneficiary could have 60 days to elect dental and vision coverage but 90 days to elect health coverage.

This communication is provided as a service to clients of Acclaim Benefits. The information detailed in this communication represents a general summary of benefit issues and is not intended or offered as legal advice or opinion. Acclaim Benefits recommends that clients confer with independent legal counsel before taking any action relating to the issues discussed in this communication.