

**The American Recovery and  
Reinvestment Act of 2009**

**COBRA Subsidy**



## What is the COBRA Subsidy ?

- **On February 17, 2009 President Obama signed into law The American Recovery and Reinvestment Act. This act contains the most significant changes to the Consolidated Omnibus Budget Reconciliation Act commonly referred to as COBRA. These changes will affect any and all employer groups with 2 or more employees.**
- **The changes allow “*Assistance Eligible Individuals*” to continue their health insurance benefits at a rate equal to 35% of the full COBRA premium.**

## Who is eligible for Premium Assistance?

- Employees who were involuntarily terminated on or after September 1, 2008 and on or before May 31, 2010.
- The terminated employee can not be eligible for ANY other coverage including Medicare, coverage through a spouse, or coverage through a new employer.
- The individual's earnings for 2009 are less than \$145,000 single or \$290,000 married filing jointly.
- Employees terminated for reasons other than gross misconduct.

**Individuals meeting the above the criteria are considered “Assistance Eligible Individuals”**

***Individuals being offered continuation as a result of age or divorce are NOT eligible for premium assistance.***

## What legal obligations do employers have to terminated employees?

- **Employers must notify all employees terminated on or after September 1, 2008 of their rights under the American Recovery and Reinvestment Act.**
- **Notices must be sent to terminated employees within 60 days of termination.**
- **Second chance election notices must be sent to employees released between September 1, 2008 and February 17, 2009.**
- **Notices must be accompanied by an election form and an attestation.**
- **Notices must include a complete description of the subsidy, eligibility requirements, the process for appeals, and an explanation of potential penalties.**
- **Employers must allow 60 days from the time of notice for former employees to elect as an Assistance Eligible Individual (*A.E.I.*)**

## How long will premium assistance last?

- **Premium Assistance will continue for a maximum of 15 months.**
  - *An A.E.I. is required to notify the plan administrator if he or she is no longer eligible to receive premium assistance, such as becoming eligible for coverage on another group health insurance plan.*
  - *Penalties will apply to the A.E.I. if they fail to report changes in eligibility to the plan administrator.*

## How is the 65% government subsidy paid?

- The employer is responsible for 100% of the COBRA premium on the insurance carrier invoice.
- Upon receipt of the “AEI’s” portion (35%) the employer becomes eligible to take a credit against their Federal Payroll Tax withholdings on revised form 941 equal to 65% of the COBRA premium.
- *Employers falling under state continuation laws may differ from the above process.*

## What documentation is required to claim the subsidy?

- **The Department of the Treasury requires the following:**
  - **An attestation of the involuntary termination of employment for each individual receiving the subsidy.**
  - **The amount of payroll taxes that are offset for a given reporting period and an estimate of the amount to be offset for the next reporting period.**
  - **Social Security numbers for all individuals who qualify for the subsidy.**
  - **The amount of the subsidy paid for each individual.**

# Complete COBRA Solutions

*We're here to help!*

Bene-Care is here to relieve the administrative burdens associated with all aspects of COBRA

## COBRA administrative services include the following:

- Initial notices.
- Qualifying Event notification.
- Election Notices.
- Premium billing.
- Employer correspondence and reporting.
- Coordination of coverage with the insurance carriers.
- Termination notices.
- Member services available to participants.