

THE COBRA PREMIUM ASSISTANCE SUBSIDY PROGRAM

Background

- COBRA provides that covered employees who experience a qualifying event (e.g., termination of employment) may extend their own (and their covered dependents) health coverage by paying the full cost of coverage, plus a 2% administrative fee (equal to 102%)
- This continuation of coverage generally lasts 18 months from the date of the qualifying event
- However, because these qualified beneficiaries must pay the coverage's full cost, few actually elect COBRA

New COBRA Premium Assistance Subsidy

- February 17, 2009: American Recovery and Reinvestment act of 2009, Public Law 111-5, was enacted
- The Act creates a new, temporary COBRA premium assistance subsidy for premiums beginning in the first COBRA period after February 17, 2009 (generally March 2009)
- A COBRA qualified beneficiary is eligible for premium assistance if he/she elects COBRA coverage and experiences a qualifying event related to an involuntary termination of employment (other than for gross misconduct) that occurs on or after September 1, 2008 through December 31, 2009
- Qualified beneficiaries include the employee, spouse, and dependents

Eligibility for COBRA Premium Assistance Subsidy

- High-income qualified beneficiaries will receive only a portion of subsidy:
 - Subsidy phases out starts at \$125k (single)/\$250 (couples)
 - Phases out completely at \$145k (single)/\$290 (couples)

How Much is the Subsidy?

- The subsidy is 65% of COBRA premium charged to the qualified beneficiary
- Starting with the first COBRA coverage period after February 17, 2009 (generally March 2009), a qualified beneficiary who pays 35% of his/her COBRA premium will be considered to have paid 100% of his or her premium
- COBRA premium may be paid by the individual or another person, but not by the individual's employer

What COBRA Programs are Subsidy Eligible

- The subsidy applies to all programs provided under COBRA, including both federal and state continuation programs
- And, qualified beneficiaries cannot receive both the COBRA subsidy and a Health Coverage Tax Credit payment under the Trade Adjustment Assistance Act

Loss of Eligibility for Subsidy

- The premium assistance subsidy ends on the first day of the month beginning after the earliest of the following events:
 - 9 months after the first month in which the individual was eligible for premium assistance
 - The qualified beneficiary becomes eligible for coverage under any other group health plan (other than dental vision only, Health Reimbursement arrangement (HRA), or Health FSA, or on-site clinic consisting primarily of first-aid, wellness or prevention benefits)
 - The qualified beneficiary becomes eligible for Medicare
 - The qualified beneficiary's maximum COBRA coverage period expires

Notice of Loss of Eligibility

- Qualified beneficiary must notify plan administrator in writing when he/she no longer qualifies for premium assistance due to eligibility for other health coverage
- Penalty for failure to give notice is 110% of the subsidy improperly received
 - Waived if reasonable cause for failure to give notice

Who is Eligible for Special Enrollment?

Applies to individuals who:

- Are already on COBRA after August 31, 2008 and before Feb 17, 2009
- Affirmatively declined COBRA between September 1, 2008 and February 16, 2009
- Had COBRA after August 31, 2008 but dropped it before Feb 17, 2009
- Are still in their COBRA election period as of February 17, 2009

Option to Change Coverage

- Generally, a COBRA qualified beneficiary is only entitled to elect coverage in benefit plan option already enrolled in at time of qualifying event
- If plan sponsor adopts the option-Within 90 days after date of COBRA election notice (or special election notice), qualified beneficiary may enroll in different coverage
- Conditions:
 - Premium for different coverage must not exceed premium for coverage available at the time of the qualifying event (i.e., the same or lower premium)
 - Must also be available to actives; and
 - Cannot be
 - Dental, vision, or counseling only
 - A health FSA or HRA, or
 - An on-site clinic for first aid/wellness