

Employer Action Required to Implement COBRA Changes Made by the Stimulus Legislation

March 18, 2009

The American Recovery and Reinvestment Act (ARRA) of 2009 was signed by President Obama on Feb. 17, 2009. This Act provides insurance payment relief for eligible individuals who were involuntarily terminated and who were otherwise eligible for continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA).

Under this Act, eligible individuals will pay only 35 percent of their premiums as early as the period of coverage beginning March 1, 2009. Employers will be reimbursed the subsidized amount, 65 percent, by the government. Employers are responsible for notifying affected individuals as required by law within 60 days of Feb. 17, 2009, and for **paying 100 percent of all COBRA premiums to the insurer.**

Following is a brief overview of the program.

Who Is Eligible?

- COBRA-eligible individuals who were involuntarily terminated from employment between September 1, 2008, and December 31, 2009.
- COBRA-eligible dependents of individuals who were involuntarily terminated from employment between September 1, 2008, and December 31, 2009.
- Individuals who meet these criteria and who previously declined COBRA coverage on or after September 1, 2008, will be given another chance to enroll.
- An individual's eligibility for the subsidy ends when the individual becomes eligible for other group health plan coverage.
- Individuals are ineligible for the subsidy if adjusted gross income exceeds \$145,000, or \$290,000 for joint filers.
- The subsidy is phased out if adjusted gross income is between \$125,000 and \$145,000 for individuals, or between \$250,000 and \$290,000 for joint filers.

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Timing

- The first premium period affected began on March 1, 2009.
- The subsidy is generally available for up to nine months for those who remain eligible.
- Maximum period of COBRA coverage (typically 18 months for terminations of employment) is not extended.
- No one is eligible for the subsidy before date of enactment, which was February 17, 2009.
- Eligible individuals who pay the full monthly premium for their March or April coverage will be able to arrange a subsidy credit with the employer.

You can find more information about COBRA changes through the IRS website at <http://www.irs.gov/newsroom/article/0,,id=204708,00.html> or by going to the Department of Labor website at <http://www.dol.gov/ebsa/cobra.html>.

Pebble Lake Consulting & Coaching, Inc. can help you communicate this issue to employees. Contact Kathryn Dillon at **336.924.5440** or by email at kdillon@pebblelakeinc.com.

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