

News and Announcements

02/26/09 The American Recovery Reinvestment Act of 2009

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On Tuesday, February 17th, President Obama signed into law the American Recovery and Reinvestment Act. As is normal with new laws, more guidance will be necessary in order to fully understand the requirements. Below is a summary of the COBRA changes, the changes also apply to Minnesota Continuation:

Premium Subsidy

The law provides a Federal government subsidy of 65% for Medical Coverage continued under COBRA – beginning the first of the month after enactment of this legislation. The subsidy creates a reduction of premiums for up to 9 months for employees whose Qualifying Event was/is involuntary termination of employment. The term “involuntary” is not specifically defined in the law. *The subsidy applies to the group medical coverage only.*

The 65% subsidy amount is reimbursed directly to employers by having employers deduct the applicable amount directly from normal payroll taxes. Employers will be required to submit reports to the IRS to verify their claims for reimbursement.

The effective date of the subsidy is the period of coverage beginning on or after the date of the enactment of the Act, February 17, 2009 (effectively March 1, 2009). Subsidies will NOT be retro-active to February 17, 2009.

Who is Eligible for the Premium Subsidy?

Premium subsidies are available for individuals with annual gross incomes up to \$125,000 (single) or \$250,000 (joint return). Subsidies are phased out for those with adjusted gross incomes up to \$145,000 (single) and \$290,000 (joint return).

Qualified Beneficiaries (QBs), their spouses, and/or dependents that lose coverage are eligible for the subsidy as long as the qualifying event occurred on or after September 1, 2008 and no later than December 31, 2009.

An employee who elected COBRA initially but then lost coverage due to nonpayment of premiums will also be entitled to the premium subsidy as well as those who initially waived COBRA coverage.

The QB will be required to notify the COBRA administrator when he or she becomes eligible under another group health plan. Failure to notify the COBRA administrator may result in a penalty of 110% of the premium assessed to the individual.

Notice Requirements

Within 60 days of the enactment of this law (effectively making April 18, 2009 the deadline) employers will be required to provide involuntary terminated employees that were previously notified on or after September 1, 2008 another notification informing them of their opportunity to elect COBRA coverage and their subsidy rights. A model notice is to be issued within 30 days by the Department of Labor.

An eligible individual who was previously offered COBRA and did not elect as of the enactment of the bill get a second 60 day election period after notice of the new requirements is provided. Also, any individual who is currently in their initial 60 day election period will have an additional 60 days election period.