

# American Recovery & Reinvestment Act

COBRA 2009



# Premium Reduction/Subsidy

- For workers who were involuntarily terminated between September 1, 2008 and December 31, 2009, the government will subsidize 65% of their premiums under COBRA for nine months. This subsidy also applies to healthcare continuation coverage if required by the state.

# Special Election Period

- For workers who were involuntarily terminated between September 1, 2008 and the day the stimulus Law goes into effect, and who did not sign up for COBRA, will get an additional 60 days to do so and receive the subsidy.

# New Notification Period

- Within 60 days of enactment, the Employer or COBRA Administrator shall provide an additional notification to any Assistance Eligible Employee who became entitled to elect COBRA before enactment of this Law.

# Tax Credit for Employers

- To offset the employer's expense, the employer may take a full tax credit for its expenditures out of its payroll taxes including both income tax withholding and FICA.

# High Income Exclusion

- If the modified adjusted gross income (AGI) of a participant exceeds \$125,000 a year, or a family's AGI exceeds \$250,000, their income tax will be raised by the premium reduction amount – effectively removing the subsidy.

# Plan Enrollment Option

- Qualified Beneficiaries (QBs) under the stimulus will have the option to change plans to another product offered by the Employer with the following requirements:
  - Employer agrees to allow QBs to enroll in different coverage
  - The selected plan does not exceed the premium for coverage in which the individual was enrolled at the time the qualifying event occurred
  - Plan cannot be Dental, Vision, Counseling, Referral or FSA
  - Coverage is also offered to active employees

# Impacts on Your COBRA Compliance

- This Law will have a direct impact on your company with regard to the administration of your healthcare benefits. In compliance with the Law, you will be required to:
  - Send a notice to involuntarily terminated employees since September 1, 2008 with a description of their rights and obligations regarding the subsidy.
  - Update all COBRA forms and enrollment materials to reflect the changes.
  - Or, if you currently work with a COBRA Administrator, coordinate with the Administrator to send notices and update forms.
  - Take a full tax credit out of your payroll taxes for your expenditures associated with the subsidy.

# In Summary

- As you navigate your way through these legislative changes, if we can be of assistance to you in any way please do not hesitate to call.
- There will be new forms. As soon as the new forms become available we will make them available to you.
- For those of you not already working with a COBRA Administrator, we can provide recommendations and walk you through your options.

David Kane, Executive Vice President  
York International Agency LLC

[dkane@yorkintl.com](mailto:dkane@yorkintl.com)

914-457-1269

