

COBRA Subsidy Guidance for

Employers

The American Recovery and Reinvestment Act of 2009 (ARRA) includes significant changes to COBRA continuation coverage rules. In general, the Act provides a federal government subsidy of COBRA coverage premiums for a maximum of 9 months for certain assistance-eligible individuals (AEI).

Many Beyond Benefit subscribers have requested more information and guidance on the employer's requirements under the ARRA changes to COBRA. If you currently use a COBRA vendor they may already be performing many of these steps.

Step 1-Gathering Information

- Identify Assistance Eligible Individuals: AEI-employees who were covered by the group health plan whose employment was involuntarily terminated, (excluding termination for gross misconduct) beginning September 1, 2008.
- The employee's covered spouses and dependents are included.
- To qualify for the subsidy, an AEI's adjusted gross income must not exceed \$125,000 or \$250,000 for joint filers. *The employer is not responsible for determining the adjusted gross income of the employee and spouse.*
- Benefits included in the subsidy are medical, dental, vision, EAP, and HRA. (FSA is not eligible)

Step 2-Mail out the DOL Model Notice

- Follow the link below for details on DOL Model Notices
http://www.icnegroup.com/pdf/dol_provides_model_notices.pdf
- Determine the 35% COBRA premium
- A notice must also be mailed to those who have previously declined COBRA or terminated COBRA due to non-payment during the September 1, 2008-December 31, 2009 time period. COBRA generally does not apply to plans sponsored by employers with 20 or fewer employees.

Step 3- Employer Receives Election Form(s)

- The completed election forms must be received by the employer within 60 days of receipt by the AEI
- If the AEI elects COBRA coverage, and was not already enrolled in COBRA coverage, the employer must notify the carrier(s) to reinstate the coverage
- The AEI must send in the payment to bring them paid-to-date within 45 days of the election notification
- The employer must notify their payroll department or payroll vendor of the AEI's election to take subsidized COBRA.

Step 4- Employer Collection of Subsidy from Government

- Complete Federal Form 941 quarterly or 941X (Amendment Form)
- Subsidy is reimbursed as a tax credit
- The subsidy credit can only be applied once the 35% AEI premium has been collected by the employer
- Maintain supporting documentation for the credit claimed such as: receipts of payments and proof of coverage provided.

Should you like to partner with a COBRA vendor, contact Judy Davis at:
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Disclaimer

Insurance Center of New England is not a COBRA vendor and is providing this information as a value added service for our clients. The steps listed above are based on information available from the US Department of Labor and the US Internal Revenue Service and are not intended to be legal or tax advice.

