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SUBJECT: New Federal COBRA Requirements

BACKGROUND: The American Recovery and Reinvestment Act of 2009 (ARRA) provides for premium reductions and additional election opportunities for health benefits under the Consolidated Omnibus Budget Reconciliation Act of 1985, commonly called COBRA. Eligible individuals pay only 35 percent of their COBRA premiums and the remaining 65 percent is reimbursed to the coverage provider through a tax credit. The premium reduction applies to periods of health coverage beginning on or after February 17, 2009 and lasts for up to nine months.

MAIN POINTS: Below is a brief summary of the COBRA changes (sources: Department of Labor and Internal Revenue Service) along with links to the Department of Labor and IRS pages that give further guidance to employers as well as (involuntarily terminated) employees on the changes. Also, I have attached a fact sheet the Department of Labor released that is a good resource to pass along to folks.

Please don't hesitate to call or email if you have any questions on the information below - it can be complicated. Thanks, Joe.

- First, It is important to note that this rule and COBRA in general only applies to companies with 20 or more employees. However, many States have similar requirements for small plans providing benefits through an insurance company. The premium reduction is available for plans covered by these State laws as well.
- Employees who are involuntarily terminated between September 1, 2008, and December 31, 2009, are eligible to receive a 65% government subsidy on their COBRA premium for up to nine months. The subsidy phases out for individual filers with incomes above \$125,000 and joint filers with incomes above \$250,000.
- How does the subsidy work?
 - Employers are required to foot the bill for the 65% subsidy and are reimbursed via a tax credit on their federal quarterly tax return. (See link to IRS guidelines for further guidance.)
 - Eligible (involuntarily terminated) employees will have to pay 35 percent of the premium to their former employers.

- What new steps and guidelines must employers immediately comply with?
 - Plan administrators must provide notice about the premium reduction to individuals who have a COBRA qualifying event during the period from September 1, 2008 through December 31, 2009. Plan administrators may provide notices separately or along with notices they provide following a COBRA qualifying event. This notice must go to all individuals, whether they have COBRA coverage or not, who had a qualifying event from September 1, 2008 through December 31, 2009.
 - Individuals eligible for the special COBRA election period described above also must receive a notice informing them of this opportunity. This notice must be provided within 60 days following February 17, 2009.
- Please see the pages below to answer specific questions on the changes:
 - **Link to Department of Labor page offering guidance on COBRA changes:**
<http://www.dol.gov/ebsa/COBRA.html>
 - **Link to IRS page offering tax guidance on COBRA changes:**
<http://www.irs.gov/pub/irs-drop/n-09-27.pdf>

NECESSARY ACTION: Distribute **this Technical Advisory** to all agency personnel who deal with group health insurance and may have the occasion to deal with clients subject to COBRA requirements.