

# American Recovery and Reinvestment Act

## Breaking News – COBRA and Commuter Benefits Update

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act (ARRA). Generally, the ARRA is an economic stimulus bill but it also includes several important changes to Consolidated Omnibus Budget Reconciliation Act (COBRA) and Commuter Benefits.

### COBRA SUBSIDY

- The Federal government will provide a subsidy of 65 percent of COBRA continuation coverage premiums for up to 9 months for qualified beneficiaries. These individuals are referred to as “Assistance Eligible Individuals” (AEIs).
- The Treasury Department will administer the subsidy, providing employers a credit against payroll taxes for the cost of the subsidy.
- *(Example: Jane’s COBRA premium is \$1,000 a month including administrative fees. Jane pays \$350 and her prior employer pays \$650. Her employer takes a \$650 credit against payroll taxes.)*

### COBRA INCOME LIMITATIONS

- Individuals must have a modified adjusted gross annual income less than \$125,000 (single) or \$250,000 (joint returns).
- Individuals who exceed the income limitations up to \$145,000 (single) or \$290,000 (joint returns) may be eligible for a portion of the subsidy.

*It is important to note that although the American Recovery and Reinvestment Act is now law; there is still important guidance forthcoming.*

### COBRA ELIGIBILITY

- Qualified beneficiaries who were *involuntarily terminated* between September 1, 2008 and December 31, 2009 are eligible for the subsidy.
- The definition of qualified beneficiary includes the covered employee, the covered employee’s spouse (as defined by federal law), and the covered employee’s dependent children (as defined by the plan).
- The subsidy applies to all COBRA eligible group health plans: Medical, Dental, Vision, & EAP but does not include health Flexible Spending Accounts.

Employers should begin to review their records to identify “Assistance Eligible Individuals” (AEIs).

It is important to identify these individuals as soon as possible so the necessary actions can be taken promptly in order to comply.

- If an AEI becomes *eligible* for other group health coverage or Medicare, or reaches the end of their maximum COBRA coverage period, their entitlement to the subsidy ends.
- It is important to note that the AEI’s subsidy ends when they become *eligible* for another coverage, even if they do not enroll in another coverage.

# American Recovery and Reinvestment Act

## COBRA SPECIAL ENROLLMENT

- Qualified beneficiaries that were involuntarily terminated between September 1, 2008, and February 17, 2009 and did not elect COBRA coverage during their initial 60-day election period must be provided another opportunity to elect COBRA coverage during a second 60-day election period. This second election period also applies to those individuals who elected COBRA coverage but have subsequently lost that coverage prior to the enactment date (e.g., due to non-payment of premiums).
- Qualified beneficiaries that were involuntarily terminated and subsequently elected COBRA continuation coverage on or after September 1, 2008, but prior to February 17, 2009 (the "Enactment Date"), are eligible to receive the subsidy on a go-forward basis beginning on the enactment date.

## COMMUTER BENEFITS

The ARRA modifies the monthly maximum election limit for transportation benefits under a qualified commuter benefits/cafeteria plan from \$120.00 to \$230.00 (the same as parking benefits). This increased amount is available beginning in March 2009, continuing through December 2010.

## COBRA ELECTIONS

- The ARRA allows AEIs the option to change their health insurance coverage when making a COBRA election. Further limitations apply and this provision is optional; an employer is not required to make this option available.
- *(Example: Jane, a AEI, could change from a PPO to a lower cost HMO when electing COBRA).*

## COBRA NOTICE REQUIREMENTS

- The ARRA requires employers to modify their COBRA election notices or provide separate supplemental notices to all AEIs terminated after September 1, 2008.
- The ARRA requires the Department of Labor, Treasury, and the Department of Health and Human Services to work together to provide a model notice within 30 days of the enactment date.
- Employers have a 60-day period in which to provide revised notices, and some employers may choose to wait until the model notices have been issued before revising their own notices.

**Please contact us today for more information and support!**

Tohoits Insurance • License #0243213  
160 W. Santa Clara Street  
12th Floor, San Jose, CA 95113  
Phone: 408-792-5400 Fax: 408-792-3679  
[www.thoits-insurance.com](http://www.thoits-insurance.com)

Sources: [www.Recovery.gov](http://www.Recovery.gov), [www.WhiteHouse.gov](http://www.WhiteHouse.gov), United Healthcare, Conexis, Vita Viewpoint, & COBRA Plus Administrators. Articles are provided for your personal, non-commercial use and may not be reproduced in any form. Articles are based upon analysis of information sources, necessarily condensed and, therefore, not applicable to all situations. Though we believe them to be accurate, facts and conclusions are not guaranteed. Articles are provided with the understanding that they do not constitute legal, accounting or other professional advice, which should be sought from professionals in those fields.