



The Vita Viewpoint Important Information for Decision Makers

The Obama-Biden Economic Stimulus Package and COBRA

Overview

The Obama-Biden Economic Stimulus package contains a provision which would have a significant impact on COBRA continuation coverage for all employers. On January 22, the House of Representatives approved the stimulus bill (HR-598), and it is currently being debated in the Senate. This legislation is moving quickly through Congress and if it is passed it could require employers to implement changes within 30 days.

Requirements

Below are the two provisions within the Obama-Biden Economic Stimulus package which directly pertain to COBRA continuation of group health coverage.

1. The federal government would subsidize 65% of the COBRA premium for any employee and their covered dependents who lost group health coverage due to an involuntary termination of employment from September 1, 2008 to December 31, 2009. This does not include employees terminated due to gross misconduct.

Employers would collect 35% of the COBRA premium from the Qualified Beneficiary and receive the 65% subsidy through a payroll tax credit. The subsidy would terminate after either a 12 month period, or the end of the maximum required COBRA coverage period, or the date the qualified beneficiary becomes eligible for Medicare or other group health coverage.

In addition, the proposed law also applies to employers subject to comparable State requirements such as Cal-COBRA. Therefore employers with between 2 and 19 employees who are subject to Cal-COBRA would be required to reimburse the Cal-COBRA Qualified Beneficiaries 65% of the monthly premium.

2. Employees who have worked at the same company for 10 or more years, or are age 55 or older, and experience a loss of group health coverage due to either a termination of employment or reduction of hours would have a special extended coverage duration. COBRA continuation coverage would continue until Medicare enrollment or the termination of all health plans sponsored by the employer offering COBRA coverage. The extension would apply to all covered dependents of the employee as well.

What Next?

The Economic Stimulus package is expected to be approved by mid-February. However, the Senate is revising the provisions within the package and we expect the above proposed regulations will be modified.

We will send out an update when and if the bill is approved and signed by the President.

For questions or additional information, please contact Vita Benefits Group at (650) 968-8811.