



The Vita Viewpoint Important Information for Decision Makers

The America Recovery and Reinvestment Act and Federal COBRA

Overview

The America Recovery and Reinvestment Act (Obama-Biden Economic Stimulus Package) was signed into law today, February 17, 2009. This law contains numerous provisions, one of which makes significant changes to the COBRA continuation law, which is summarized below.

The Details

The following is a summary of the new COBRA premium subsidy program. This program applies to employers subject to both federal COBRA and comparable state coverage continuation programs such as Cal-COBRA.

Given the fast pace in which this bill was passed and signed into law, there are a number of questions which were not answered within the bill, a few which are noted below. Vita is waiting further guidance from the U.S. Treasury to address the outstanding questions.

1. The federal government will subsidize 65% of the COBRA premium for an employee 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.

Outstanding Question: Will the federal government subsidize 65% of only the medical premium or does this include the dental, vision and EAP premium as well?

2. The COBRA premium subsidy is available for up to nine months. The premium subsidy program will terminate early if the COBRA beneficiary becomes eligible for Medicare, a new group health plan or their COBRA continuation period expires.
3. A new 60 day election period will be available for eligible COBRA beneficiaries who did not previously elect COBRA continuation coverage. This election period will begin as of the postmark date of their new election package.
4. The COBRA premium subsidy is available as of March 1, 2009. As of that date, qualifying active COBRA beneficiaries will have their premium reduced to 35%. If a COBRA beneficiary had exhausted their initial 60 day election period, but makes a timely election within the new election period their COBRA continuation coverage will begin as of March 1, 2009.

Outstanding Question: In applying the 2% administration fee, will the 2% COBRA administration fee apply to 100% of the premium or 35% of the premium (the premium billed to the beneficiary)?

5. An additional qualification for the COBRA premium subsidy is that the COBRA beneficiary's adjusted gross annual income for a single filing may not exceed \$125,000 or for a joint filing may not exceed \$250,000.

Outstanding Question: Which tax year applies in determining the annual income?



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Action Items

Vita is moving quickly to revise and enhance our COBRA administration processes to meet the new requirements within the COBRA premium subsidy programs. The following are just a few of the items Vita is working on in an effort to quickly provide our clients and COBRA beneficiaries with answers to their questions.

1. Revised election package to provide COBRA beneficiaries with details on the subsidy program.
2. A monthly employer report listing active COBRA beneficiaries receiving the federal premium subsidy. The report will include the premium details which your Payroll Department may use in requesting the payroll credit.
3. Comprehensive system enhancements to facilitate compliant administration of the Premium Subsidy Program.

In addition, Vita Administration COBRA clients will receive a report of all COBRA beneficiaries with a qualifying event since September 1, 2008. The employer should use this report to indicate if each event was a voluntary or involuntary termination of employment.

Informational Webinars

Vita will conduct two identical webinars to provide a detailed explanation of the employer requirements under the new COBRA Premium Subsidy Program. Please refer to the email which included this attachment for a link to register for the webinar.

Webinar Date and Times

Friday, February 20, 2009 from 10:00 a.m. to 11:00 a.m.

Monday, February 23, 2009 from 2:00 p.m. to 3:00 p.m.

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