



# The Vita Viewpoint

## Important Information for Decision Makers

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### AB 23 Cal-COBRA Premium Subsidy

#### **Overview**

On May 12, 2009 Governor Schwarzenegger signed AB 23 into law. The purpose of this bill is to align the Cal-COBRA regulations with the federal COBRA premium subsidy as described in the American Recovery and Reinvestment Act (ARRA).

Cal-COBRA applies to employers with 2 -19 employees for 50% of the working days in a calendar year. The law allows employees who experience a qualifying event the option to continue medical, dental and/or vision coverage for up to 36 months after the qualifying event. The employer is required to notify the health insurance carrier when an employee experiences a qualifying event. The health insurance carrier will then directly administer the coverage continuation from the election notification to premium collection.

#### **Background on the Federal COBRA Premium Subsidy**

The federal COBRA premium subsidy provides Qualified Beneficiaries a 65% subsidy toward their COBRA premium for up to nine months. To be eligible for the premium subsidy Qualified Beneficiaries must experience an involuntary termination of employment and loss of coverage from September 1, 2008 to December 31, 2009.

The federal premium subsidy applies to state sponsored continuation programs, such as Cal-COBRA, for qualifying events occurring between February 17, 2009 and December 31, 2009. However, state continuation programs were not required to offer the special election opportunity to those who experienced an involuntary termination of employment and loss of coverage from September 1, 2008 to February 16, 2009.

#### **Cal-COBRA Special Election**

As of May 26, 2009, with the passage of AB 23, all health insurance carriers were required to notify Qualified Beneficiaries who experienced both an involuntary termination of employment and a loss of coverage from September 1, 2008 to February 16, 2009 of their right to a special election to Cal-COBRA.

*Qualified Beneficiaries now have a second opportunity to elect Cal-COBRA and their coverage will begin the first day of the month following their new election date. The special election will result in a gap in coverage for Qualified Beneficiaries from the date of their qualifying event to the effective date of coverage, but this gap in coverage will be disregarded when calculating a plan's pre-existing condition provision.*

#### **Employer Action Item**

Since Cal-COBRA is a health insurance carrier law, the burden of administering the premium subsidy notification requirements, premium collection and reporting of the 65% premium subsidy fall on the health insurance carrier.

AB 23 does set forth one important employer requirement that you should be aware of:

- Within 10 calendar days, the employer is required to respond to a health insurance carrier or Qualified Beneficiary's written request to verify whether an employee's termination of employment was voluntary or involuntary.

Beyond the above requirement, the administration of Cal-COBRA will be handled by the health insurance carrier.

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