

COBRA Stimulus Law Changes

This FYI provides information about some of the changes for employer health plans due to the American Recovery and Reinvestment Act of 2009 which was signed into law on February 17, 2009.

Here are the main changes for COBRA for employer plans due to this law:

- The new law provides a COBRA premium subsidy for certain individuals who have COBRA due to an involuntary termination of employment beginning September 1, 2008 through December 31, 2009. There is an income limit to qualify for the subsidy. The subsidy starts to phase out for individuals with modified gross income of \$125,000 (\$250,000 for joint returns) and is completely eliminated at \$145,000 (\$290,000 for joint returns). The qualifying individuals will pay 35% of the premium. The subsidy can last up to nine months. The government will subsidize the remainder, which may take the form of a payroll tax credit to the employer.
- The law allows certain individuals a second chance to elect COBRA coverage. These generally include individuals who were eligible for COBRA due to an involuntary termination of employment starting September 1, 2008. There are special rules to determine when coverage starts.
- The law allows employers to revise their plans to allow individuals already on COBRA a chance to elect different COBRA coverage options, but this is at the employer's election.
- There additional limitations and conditions on these new features in the law as well as a number of new notices and revisions to summary plan descriptions that will need to be sent to comply with this law.
- The law also changes the health coverage tax credit which affects COBRA administration.

What should employers do?

- There are special rules to determine which plans are covered. Check with your attorney to see which plans are affected.
- Address plan administration choices regarding allowing election of different options now.
- Consider coordination and design changes that might be needed for Cafeteria Plan mid-year changes in elections.
- Contact any insurer to make sure that your interpretation of the changes and additional coverage is consistent with your insurer's coverage.

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