



A Union of Professionals

Frequently Asked Questions about the COBRA Premium Reduction under The American Recovery and Reinvestment Act of 2009

COBRA is short for the Consolidated Omnibus Budget Reconciliation Act which is a federal law that was passed in 1986. COBRA allows for the temporary extension of healthcare coverage for individuals whose employer sponsored benefits would be terminated. It allows for certain employees, retirees, spouses, former spouses and dependent children to continue health insurance at group rates for a specific time period. The employer can charge a premium up to 102% of the group rate.

Did the stimulus package signed by President Obama include a temporary reduction of COBRA premiums?

Yes. The stimulus package, which was enacted as the American Recovery and Reinvestment Act of 2009 (ARRA), temporarily reduces the premium for COBRA coverage for eligible individuals.

Who is eligible for the premium reduction?

ARRA makes the premium available to “Assistance Eligible Individuals.” An Assistance Eligible Individual is a COBRA qualified beneficiary who meets **all** of the following requirements:

1. Is eligible for COBRA continuation coverage any time between September 1, 2008 through December 31, 2009;
2. Elects COBRA coverage (when first offered or during additional election period provided by ARRA); AND
3. The COBRA election opportunity relates to an involuntary termination of employment that occurred at some time between September 1, 2008 and December 31, 2009.

However, if you are eligible for other group health coverage (such as through a new employer plan or through a spouse’s plan) or Medicare, you are not eligible for the premium reduction.

What is an involuntary termination?

An employer-initiated layoff is generally an involuntary termination of employment for purposes of eligibility for the COBRA premium subsidy. COBRA qualifying events such as death, divorce, dependent aging out and reduction of hours are NOT considered an involuntary termination and those beneficiaries are NOT eligible for the subsidy.

How much is the premium reduction?

Eligible individuals pay only 35% of the full COBRA premiums under their plans for up to 9-months. This premium reduction is generally available for continuation coverage under Federal COBRA provisions, as well as for group health insurance under state continuation coverage laws.

How does the premium reduction get paid?

Assistance Eligible Individuals are responsible for paying only 35% of the COBRA premium for the period of coverage. An eligible individual pays the 35% premium directly to the employer or to the plan depending on how the employer sets it up. The remaining 65% of the premium is reimbursed to the employer, plan administrator, or insurance company through a payroll tax credit. The COBRA premium includes all administrative fees.

How do I apply for the premium reduction?

If you were covered by an employment based health plan on the last day of your employment, the plan should provide you with a notice of your COBRA eligibility and your eligibility for the premium reduction. The notice should include any necessary forms for enrollment. You may also want to contact your plan directly to ask about taking advantage of the premium reduction.

Does the premium reduction apply to all plans?

The COBRA premium reduction provisions apply to all group health plans (medical, dental and vision) sponsored by private-sector employers or unions subject to the COBRA rules under the Employee Retirement Income Security Act of 1974 (ERISA). They also apply to state or local governments subject to continuation provisions under the Public Health Service Act and plans in the Federal Employee Health Benefits Program (FEHBP). The premium reduction is also available for group health insurance that is required by state law to provide comparable continuation coverage (such as “mini-COBRA”).

How long will the subsidy last?

The premium reduction can last up to 9-months. The subsidy will end earlier if:

- You become eligible for Medicare or another group healthcare plan, or
- You reach the end of your maximum COBRA coverage period. The maximum coverage period is 18-months from the qualifying event.

NOTE: It is the responsibility of the individual paying the reduced premium to notify their plans if they become eligible for coverage under another group plan or Medicare. Failure to do so can result in a tax penalty.

Are there income limits on eligibility?

Yes. Subsidy phase-outs start at \$125,000 for singles and \$250,000 for couples and phase out completely at \$145,000 for singles and \$290,000 for couples. Verifying income is not the obligation of the employer or the fund. Individuals must refund any overpayments through an addition to their federal income taxes. A high income beneficiary may waive the subsidy by informing the employer/plan of their decision.

Is it too late to enroll in COBRA if I didn't elect to enroll in COBRA when I was originally involuntarily terminated?

If you were involuntarily terminated between September 1, 2008 and February 16, 2009, and did not elect COBRA when it was first offered to you or you elected COBRA but are no longer enrolled (for instance you dropped coverage because it was too expensive) then you are eligible for a new, second election opportunity. The election period starts on February 17, 2009 and ends 60 days after the plan provides the required notice.

I am eligible for the premium assistance and I have been enrolled in COBRA since December 2008. Will I receive a refund of 65% of all the premiums that I have already paid?

No. The premium reductions apply only to premiums for coverage periods beginning on or after February 17, 2009. If you were eligible for the reduction but paid in full for periods of COBRA beginning on or after February 17, 2009, you should contact your plan administrator to discuss a credit against future payments.

I am currently enrolled in COBRA continuation coverage but would like to switch to a different coverage option offered by my former employer. Can I do this?

Group health plans are permitted, but not required, to allow qualified beneficiaries to enroll in coverage that is different than the coverage that they had at the time of the qualifying event. ARRA provides that changing coverage will not cause an individual to be ineligible for COBRA premium reduction, provided that:

- The premium for the different coverage is the same or lower than the coverage the individual had at the time of the qualifying event;
- The different coverage is also offered to active employees; and
- The different coverage is not limited to only dental, vision coverage, counseling coverage, a flexible spending account or an on-site medical clinic.

If the plan permits individuals to change coverage options, the plan must provide the individuals with a notice of their opportunity to change. Individuals have 90 days to elect to change their coverage after the notice is provided.

How can I get more information on my eligibility for COBRA or the premium reduction?

More information can be found at the Department of Labor website at www.dol.gov/COBRA. You can also call 866/444-3272 to speak to an employee Benefits Security Administration Benefits Advisor.