

COBRA Provisions:

American Recovery & Reinvestment Act (ARRA)

FAQ

What is the ARRA?

The American Recovery & Reinvestment Act (ARRA) is a bill that was recently signed into law by the President. Under the COBRA provisions, the Act creates new opportunities for individuals to qualify for continuation coverage provided by a group health plan.

When did the law become effective?

The law became effective on February 17, 2009. In most cases, the COBRA subsidy will be effective March 1, 2009; under no circumstances is the subsidy effective prior to the enactment of the law.

What is the amount of the subsidy?

The subsidy amount is 65% of the cost of the health insurance premium, including the 2% administrative surcharge. Individuals electing COBRA will be responsible for 35% of the total amount. For example, if an individual's 102% COBRA premium is \$100, under the new subsidy program they would be billed \$35.

How long can individuals receive the subsidy?

The premium reduction can last up to a maximum of nine months. However, it will end earlier if you fail to pay the 35% portion of the premium, you become eligible for Medicare or another group health plan, or you reached the end of your maximum COBRA coverage period.

Who is eligible for the subsidy?

To qualify for the COBRA premium reduction, you must be eligible for COBRA continuation as a result of an involuntary termination of employment between September 1, 2008 through December 31, 2009. Termination of employment for gross misconduct is not included. In addition, if you are eligible for another group health plan (through a spouse, parent, domestic partner or new employer's plan) or for Medicare, you are not eligible for the COBRA subsidy. There is also an income maximum that will disqualify some individuals from receiving all or part of the subsidy. Individuals whose annual adjusted gross income exceeds \$125,000 for single filers or \$250,000 for joint filers are in this group.

Are family members eligible for the subsidy?

Yes, dependents covered under the employee's plan are eligible for the subsidy with the exception of same-sex domestic partners. Federal law regarding COBRA does not recognize same-sex domestic partners, so they are not eligible to receive the COBRA subsidy.

If an employee had family coverage and elects COBRA family coverage, is the subsidy 65% of the family rate or just the employee rate?

If the family is on COBRA due to an involuntary termination, then the subsidy is applied to the family rate.

If an employee passed away (death was the cause of ending employment), would his dependents be eligible for the subsidy?

The dependents, assuming they were covered by the plan at the time of death, would be eligible for 36 months of COBRA. They would not be eligible for the subsidy, as death is not an involuntary termination of employment.

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What about dependents who lose coverage when they age out of the plan such as dependent children? Are they eligible for a subsidy?

No, the subsidy is only available when the employee is involuntarily terminated from employment.

What happens if an individual receiving subsidized COBRA becomes eligible for coverage under another group health plan, but fails to notify the current health plan providing the subsidized COBRA and continues to remain on the subsidized plan?

Individuals must immediately notify JHU once they become eligible for coverage under another group health plan. Failure to do so will result in a penalty of 110% of the subsidy amount provided during the time they were ineligible but remained on the subsidized plan.

How is the individual's maximum COBRA period measured?

The same way it was before the law was passed – from the date of the original qualifying event. This is typically 18 months from the date of the job loss. For example, if John was laid off September 18, 2008, that is his qualifying event and his 18-month eligibility period will be measured starting October 1, 2008.

If I was involuntarily terminated after September 1, 2008, but declined continuation of coverage, can I get it now at the reduced premium?

Yes, if your involuntary termination of employment occurred during September 1, 2008 through February 16, 2009 and you never elected COBRA or you elected it but later dropped COBRA coverage, you will get a second opportunity to enroll. Your plan is required to notify you of the second election period by April 18, 2009.

Once notified, how long does an individual have to elect the subsidized coverage?

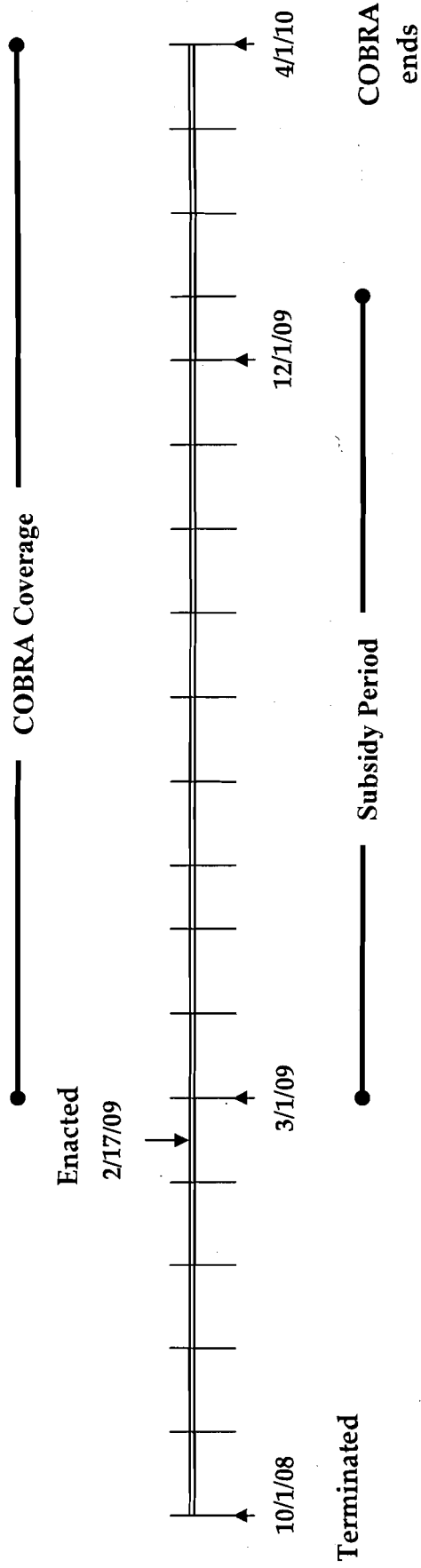
Individuals will have 60 days from the date of notification.

If an individual did not initially elect COBRA but chooses to do so during the special election period, when will the coverage begin?

The subsidized coverage will begin March 1, 2009. Coverage will not be made retroactive to the original eligibility date.

Is the subsidy considered taxable income to the employee?

Susan – eligible for subsidy, did not elect COBRA when initially eligible.



Thomas – eligible for subsidy, elected COBRA when initially eligible.

