



COBRA SUBSIDY

Questions and Answers (Q&A)

EMPLOYERS:

- 1. Question: Can I get a listing of all offers / qualifying events since last September**

Answer: You may request this information by sending us an email.
- 2. Question: Can I get a listing of everyone eligible for the subsidy?**

Answer: Only employers can determine whether a loss of group health plan coverage was due to an involuntary termination of employment. However, we can provide a listing of all offers / qualifying events since September 1, 2008 for use in identifying potential assistance eligible individuals.
- 3. Question: Are you able to provide Notice to those individuals eligible for the subsidy?**

Answer: Yes. We can provide the Model Notice developed by the U.S. Department of Labor to assistance eligible individuals identified by an employer. There may be a fee for this service.
- 4. Question: Should I offer a “buy down”?**

Answer: This would be an employer decision.
- 5. Question: Will you bill the employer for the 65%?**

Answer: If so requested, we will bill employers for 65% of the applicable COBRA premium for each identified assistance eligible individual who has elected continuation coverage.
- 6. Question: What are the next steps?**

Answer: The employer must notify us that an individual is eligible for assistance and will be receiving the subsidy. Once we receive this notification from the employer, and if the employer would prefer, we will be able to accommodate billing to the employer and employee for their appropriate premiums.
- 7. Question: If I offer my employees COBRA, but I do not contribute to their coverage while they are employed, must I still pay 65% for a former employee’s COBRA coverage?**



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Answer: Yes. The American Recovery and Reinvestment Act (ARRA) requires that sponsors of health plans subject to COBRA pay 65% of the cost of such coverage for assistance-eligible individuals. Sponsors can recover these contributions through payroll tax-credits. We recommend that you discuss your legal obligations under ARRA with your legal counsel or tax advisor.

8. **Question:** **What happens to the 2% administrative fee charged with the COBRA premium?**

Answer: The 2% gets split 65/35 just the same as the premium. So the 102% is split 65% employer paid, 35% subscriber paid.

9. **Question:** **How long does the employer have to tell us who is involuntarily terminated?**

Answer: ARRA requires that Employers send applicable Notice to assistance eligible individuals within 60 days of the Act's passage, or by April 18, 2009. If the Employer would like our assistance in mailing the applicable information and Notice, please notify us as soon as possible.

10. **Question:** **Does the subsidy extend the 18 months of COBRA?**

Answer: No, the subsidy does not extend the applicable COBRA continuation coverage periods.

11. **Question:** **Does the employer's 65% contribution change when the active employee premium changes?**

Answer: No, regardless of what the employer was paying for the active plan, they will have to pay 65% of the qualified beneficiary's COBRA premium. For example: assume that the true cost of active employee plus dependent coverage was \$500, and that the employer subsidized \$200.00 of that cost.. If the employee and dependent take COBRA, the employer is responsible for 65% of the entire \$510.00 (\$500+2%) COBRA cost or \$331.50. The employee pays 35% or \$178.50.

12. **Question:** **What if the employer subsidizes a portion of a qualified beneficiary's COBRA premium by paying for the first three months of COBRA coverage, at 100%?**

Answer: An assistance eligible individual receives premium assistance in the amount of 65% of the cost that the employer charges the individual for COBRA coverage. If there is no cost to an individual, then the subsidy is not available. If an Employer pays for a former employee's COBRA coverage for a portion of time,



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such as for the first 3 months, then an assistance eligible individual would still have 6 remaining months to receive premium assistance (the first 3 months fully paid by the employer; the latter 6 months paid 35% by the assistance eligible individual and 65% by the Employer, for the total of 9 months). Remaining time on COBRA would be fully paid by the individual.

13. Question: What if the employer currently subsidizes COBRA premiums?

Answer: The employer would now be responsible for the 60% they are already paying, plus 65% of the remaining 40% that the employee was paying. The employee would pay 35% of their 40%. For example: employer currently pays part of the COBRA premiums (\$60.00 of a \$100.00 premium). The employer would now pay the \$60.00 and 65% of the remaining \$40.00 or an additional \$26.00. Therefore, the entire premium paid by the employer would be \$86.00 and the employee would pay 35% of \$40.00 or \$14.00.

14. Question: Are HRA's covered under ARRA's subsidy rules?

Answer: HRAs are group health plans that are subject to COBRA. Accordingly, they would be covered by ARRA's subsidy rules. You should contact your legal counsel or tax professional to discuss how to calculate the HRA COBRA premium and the related subsidy.

15. Question: Are flexible spending accounts covered under the subsidy?

Answer: Determining whether a health flexible spending account is subject to COBRA involves applying complex rules. We suggest that you contact your legal counsel or tax professional for advice.

16. Question: What happens if I changed my plans on 1-1-09 and I have to reoffer COBRA now to assistance eligible individuals who were involuntarily terminated in 2008?

Answer: Coverage offered to any qualified beneficiary, including an assistance eligible individuals, must be the same coverage that is currently offered to similarly situated individuals

17. Question: If the employer approves the request, but then does not pay premium for the member, what happens?

Answer: We will terminate coverage and will notify the employee of the reason for termination, instructing them to contact their employer.



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18. **Question:** If the employer is bankrupt, who do we collect the 65% from?
- Answer:** Please consult your legal counsel or tax professional.
19. **Question:** If an employer account has terminated with us, what is our responsibility?
- Answer:** We can supply a list, at the employer's request, of all subscribers who have terminated back to September 1, 2008, but we will not handle any further COBRA administration for these accounts. The new administrator would be required to handle all administration.
20. **Question:** Who is going to keep track if an employee is still eligible for the stimulus each month. Are we going to send out a form they need to sign each month that states they are not eligible for other coverage(maybe to go out with monthly bill)
- Answer:** The Employer is responsible for advising as to which individuals are assistance eligible individuals..
21. **Question:** If a company is a non-profit organization & they do not pay federal taxes is there an exception to avoid paying the 65% subsidization of COBRA because they do not pay federal taxes & a tax credit is not going to benefit them, what should they do?
- Answer:** Please consult your legal counsel or tax professional.
22. **Question:** A customer wants to lay everyone off. Therefore, they won't have any payroll taxes. How does the subsidy work in this case?
- Answer:** Please consult your legal counsel or tax professional.
23. **Question:** For prospective events (3-1-09 and after), if the employer wants to tell us up front who is eligible, can we send an ineligible person an offer (with a model notice) for just the 102% rates, or do we have to show them the 35% rates as well?
- Answer:** ARRA requires that all individuals who are offered COBRA prior to December 31, 2009, have the opportunity to identify themselves as eligible for assistance. Accordingly, ARRA information must be sent in any offer.

SUBSCRIBERS:

1. **Question:** Should I pay full rate for March and/or April?



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Answer: You are responsible for 100% of the bill until the employer advises us otherwise.

2. **Question:** **If I have paid the full rate for March and/or April, but it is then determined that I am an assistance-eligible individual, will I be refunded my 65%?**

Answer: If it is determined that you are eligible for the subsidy, you will be refunded / credited any overpayments made.

3. **Question:** **Am I eligible for the subsidy?**

Answer: This question can only be answered by your employer

4. **Question:** **Is there going to be another plan offered, i.e. a “buy down”?**

Answer: This question can only be answered by your employer

5. **Question:** **If I believe that I am eligible for the COBRA premium reduction but I have been told otherwise by my employer, what should I do?**

Answer: If your employer has denied your request for the COBRA premium reduction, you are able to appeal this determination to the U.S. Department of Labor (“DOL”) or Department of Health & Human Services. Your application will be reviewed within 15 days. Please see the DOL website for further information on how to appeal: <http://www.dol.gov/ebsa/COBRA.html>

6. **Question:** **When will I be notified of the subsidy and how?**

Answer: HMBA will mail you the Model Notice by April 18, 2009, if so directed by your former employer.

7. **Question:** **I had an event in September, and I never elected. If I elect now, will the coverage be retroactive to September?**

Answer: No, the coverage will be effective March 1, 2009.

8. **Question:** **Does the subsidy cover Medical only?**

Answer: No, it covers dental, vision and any other group health plan you had prior to termination.

9. **Question:** **What information is to be sent to Former Employees? (this question could go**



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under the employer and the employee section)

- Answer:**
- a.) The Employer must ascertain which of their employees had been "involuntarily terminated" from 9/1/2008 - [current]. If these former employees/dependents either did not elect COBRA coverage or elected COBRA but let it lapse, then these individuals *must be sent a new offer* - they must again be given the opportunity to elect COBRA. They must also be advised of the possibility of premium reduction (to aid in the decision of whether they'd like to now purchase COBRA).
 - b.) All individuals who were offered COBRA between 9/1/09 - [current] must be provided with the Model Notice. Even if the individual has already elected COBRA, they may now be eligible for the subsidy. This provides them with the opportunity to review the information and decide if they feel they are eligible for the premium reduction.
 - c.) All individuals going forward (through 12/31/09, unless ARRA is extended) must receive the Model Notice along with their COBRA offer letter.

Together, items a and b above would end up capturing any individual offered COBRA from 9/1/2008 through current, and item c captures any individual who will be offered COBRA going forward. The U.S. Department of Labor (DOL) has issued Model Notices which address all situations described above.