

The American Recovery and Reinvestment Act of 2009 (the “Act”), commonly known as the Economic Stimulus Bill, was signed into law by President Barack Obama on February 17, 2009. Division B Title III of the Act, containing information relative to “Premium Assistance for COBRA Benefits,” became effective immediately. This portion of the Act provides government funding to assist certain individuals who were “involuntarily terminated” from employment between September 1, 2008 and December 31, 2009. Certain individuals, as well as their dependents, could become eligible for a 65% COBRA premium subsidy, available for a maximum of 9 months. If eligible for assistance, the individual would then only be required to pay 35% of his or her COBRA premium. In most situations, the remaining 65% would be paid initially by the Employer. The Employer would then be reimbursed by the government in the form of an employer payroll tax credit or other means as set forth within the Act.

As an Employer and Group Health Plan Sponsor, you may have responsibilities under the Act. This matter should receive the immediate attention of your Human Resources, Employee Benefits, and/or Legal areas.

HM Insurance Group (HMIG) has a number of initiatives underway to assist all clients that are affected by the enactment of this new law. Foremost among the changes being made are necessary adjustments to the processes and systems that support the proper billing to COBRA Qualified Beneficiaries, collection of COBRA premium payments, and remittance of the collected amounts to carriers or Employers as appropriate.

According to the Act, Employers must re-offer COBRA benefits to all individuals who have been “involuntarily terminated” by their Employer since September 1, 2008 (including dependents) and either did not elect COBRA, or initially elected COBRA but subsequently terminated coverage. Further, the Act requires Employers to notify all individuals who have begun COBRA coverage since September 1, 2008 of the Act’s passage, such that the individual can identify themselves as an “Assistance Eligible Individual” under the Act. The Act requires that Employers provide the respective re-offering of COBRA benefits and appropriate Notices to individuals by April 18, 2009.

HMIG is able to assist you with your notification obligations under the Act. Upon your request, HMIG is able to send a Notice describing premium assistance under the Act to individuals who lost coverage for any reason since September 1, 2008. Further, if you notify HMIG of those individuals who have been “involuntarily terminated” since September 1, 2008, we can re-offer COBRA benefits to such individuals on your behalf.

If you are interested in having this information sent to applicable individuals by HM Insurance Group by the April 18, 2009 deadline imposed by the Act, please notify us as soon as possible.

Please note that HM Insurance Group will be using a Model Notice issued by the U.S. Department of Labor to explain the premium assistance benefit. HMIG will also include this information as an insert to the COBRA Election packet for any newly eligible COBRA Qualified Beneficiaries until December 31, 2009, in accordance with the Act.

If a qualified beneficiary requests COBRA and believes he or she is eligible for premium assistance, that individual will be directed to return the Election Form, Subsidy Request Form and possibly a COBRA payment (payable to HM Benefits Administrators or HM Life Insurance Company) back to the Employer. **Please contact your Account Service Manager with information regarding where, and to whom within your organization, this information should be sent.** If we do not receive such a designation from the Employer, we will direct these forms to the contact name and address currently on file with us. Once the Employer receives an individual's request for premium assistance, the Employer will then either approve or deny the subsidy. All paperwork (including the envelope in which the information was received) should then be forwarded to HM Insurance Group for processing. Standard election and payment grace periods will apply.

If the Employer denies the individual's request for premium assistance, HMIG will send a notification to the qualified beneficiary advising of the denial. The qualified beneficiary will then be billed at the full cost. If the Employer approves the individual's request for premium assistance, that individual will be billed at 35% of the respective premium.

The COBRA system changes being made at HMIG will address the billing, collection, and remittance of the 35% cost that is the responsibility of the affected COBRA Qualified Beneficiary and the 65% that is the Employer's responsibility. For fully insured groups, Employers will be responsible for the 65% balance, and will be billed accordingly. For self-insured groups or fully insured groups where premium is remitted by HMIG back to the Employer, Assistance Eligible Individuals will be billed at 35%; once received, we will then remit that 35% back to the Employer. In the latter situation, the 65% for which the Employer is responsible need not be remitted to HMIG only to be returned to the Employer.

We will reconcile any account for which adjustments are needed based on the timing of the enactment of the law.

HMIG is able to provide administration services to support the obligation to offer a new or extended enrollment opportunity to Assistance Eligible Individuals. HMBA will supply reports on a regular basis (to be determined) to show the Employer, how much it has paid, how much was received from the Employer and the number of participants covered under the COBRA contract. We expect to have these reports available on our COBRA administrative web site at www.HMInsuranceGroup.com (eServices, COBRA On-Line Administration link). You can use the web site to keep track of payments received from subsidy approved subscribers. If you are not currently set up to access the COBRA web site, please provide your Account Service Manager your email address.

Thank you for your patience in this time of change.

Sincerely,

HM Insurance Group
COBRA Department

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