



Member News Bulletin

May 7, 2009

Contact Patty DeVito, Director of Finance and Operation, at 781-273-0123 with any further questions.

Informational Briefing on COBRA Health Coverage (Scroll down for COBRA “Updates”)

What is COBRA continuation health coverage?

Congress passed the landmark Consolidated Omnibus Budget Reconciliation Act health benefit provisions in 1986. COBRA gives workers who lose their jobs, and thus their health benefits, the right to purchase group health coverage provided by the plan under certain circumstances.

If the employer continues to offer a group health plan, the employee and his/her family can retain their group health coverage for up to 18 months by paying group rates. The COBRA premium may be higher than what the individual was paying while employed but generally the cost is lower than that for private, individual health insurance coverage.

The plan administrator must notify affected employees of their right to elect COBRA. The employee and his/her family each have 60 days to elect the COBRA coverage; otherwise they lose all rights to COBRA benefits.

What does COBRA do?

COBRA contains provisions giving certain former employees, retirees, spouses former spouses, and dependent children the right to temporary continuation of health coverage at group rates. This coverage, however, is only available when coverage is lost due to certain specific events.

Group health coverage for COBRA participants is usually more expensive than health coverage for active employees, since usually the employer pays a part of the premium for active employees while COBRA participants generally pay the entire premium themselves. It is ordinarily less expensive, though, than individual health coverage.

Who pays for COBRA coverage?

Beneficiaries may be required to pay for COBRA coverage. The premium cannot exceed 102 percent of the cost to the plan for similarly situated individuals who have not incurred a qualifying event, including both the portion paid by employees and any portion paid by the employer before the qualifying event, plus 2 percent for administrative costs.

The initial premium payment must be made within 45 days after the date of the COBRA election by the qualified beneficiary. Payment generally must cover the period of coverage from the date of COBRA election retroactive to the date of the loss of coverage due to the qualifying event. Premiums for successive periods of coverage are due on the date stated in the plan with a minimum 30-day grace period for payments. Payment is considered to be made on the date it is sent to the plan.

If premiums are not paid by the first day of the period of coverage, the plan has the option to cancel coverage until payment is received and then reinstate coverage retroactively to the beginning of the period of coverage.

COBRA beneficiaries remain subject to the rules of the plan and therefore must satisfy all costs related to co-payments and deductibles, and are subject to catastrophic and other benefit limits.

What is the Federal Government's role in COBRA?

COBRA continuation coverage laws are administered by several agencies. The Departments of Labor and Treasury have jurisdiction over private-sector health group health plans. The Department of Health and Human Services administers the continuation coverage law as it affects public-sector health plans.

The Labor Department's interpretive and regulatory responsibility is limited to the disclosure and notification requirements of COBRA. If you need further information about ERISA generally, write to the EBSA office nearest where you live. Consult the U.S. Government, U.S. Department of Labor listing in your telephone directory for the office nearest you or call EBSA's Toll-Free Employee & Employer Hotline number at: 1.866.444.EBSA (3272) and request a list of EBSA offices, or write to:

**U.S. Department of Labor
Employee Benefits Security Administration
Division of Technical Assistance and Inquiries
200 Constitution Avenue NW, Suite N-5619
Washington, DC 20210**

COBRA administration is shared by three federal agencies. The U.S. Department of Labor handles questions about notification rights under COBRA for private-sector employees. The Department of Health and Human Services handles questions relating to state and local government workers. The Internal Revenue Service, Department of the Treasury, has other COBRA jurisdiction.



COBRA UPDATES

What is the new benefit?

The U.S. government is subsidizing the cost of COBRA benefits by covering 65% of the cost of the COBRA premium for up to nine months beginning on March 1, 2009. Employees must pay 35% of the premium. . If the employer, by policy or agreement with employees, is paying a portion or all of the COBRA premium, reimbursement to the employer may be limited.

Who is eligible for this subsidy?

All employees involuntarily discharged between Sept. 1, 2008 and December 31, 2009 who were covered by a health plan and had the right to continue coverage under COBRA or state law.

Who is not eligible for the subsidy?

Employees who voluntarily quit or retired. Certain high-income individuals and families will be required to repay the subsidy when paying taxes for the year in which the subsidy is provided.

Who pays 65% of the premium to the insurer?

The employer pays the insurer 65% of the premium. The employer may take a credit for these payments against its wage withholdings and FICA payroll taxes

What Must Employers Do Prior to April 17, 2009?

1) Plan administrators must revise COBRA election notices to include information about the availability of the subsidy starting on March 1, 2009. New notices should be used through 2009.

2) Send the new notice to employees involuntarily separated since September 1, 2008 who have already received COBRA notices. The notice should provide:

(a) Information on the availability of the subsidy, the requirements to qualify for it, and forms for the election of continuing coverage.

(b) Notice that all employees involuntarily separated since September 1, 2008 who were eligible but did not elect continued coverage or who failed to make the necessary payments, now have 60 days to elect coverage. Provide these individuals with notice of the subsidy, the requirements to qualify for it and copies of the forms to elect continuing coverage during the special 60 day election period.