

## The New COBRA Premium Subsidy - Part I

The American Recovery and Reinvestment Act signed by President Barack Obama included several changes to COBRA. The most significant change is the addition of a federal COBRA subsidy for employees whose employment is involuntarily terminated between September 1, 2008 and December 31, 2009.

The subsidy will be available to “assistance eligible individuals (AEIs)”. These are qualified beneficiaries who:

- Have a qualifying event of involuntary termination of employment (excluding termination for gross misconduct) between September 1, 2008 and December 31, 2009; and
- Are eligible for COBRA at any time during the period of September 1, 2008 and December 31, 2009; and
- Elect COBRA coverage – including those who elect COBRA during a new extended election period (described in the next Technical Update).

An AEI may be a covered employee or a covered employee’s covered spouse or dependent child who became a qualified beneficiary because of the involuntary termination of the covered employee’s employment.

The subsidy will be available to individuals eligible for federal COBRA and most individuals eligible for state “COBRA” laws. It will be available to those already on COBRA, those who did not elect COBRA and those who elected, but dropped COBRA (e.g., by non-payment of premium) who are otherwise eligible.

The subsidy is not available for health care Flexible Spending Account (FSA) coverage. The subsidy is also not available to “high income” individuals. “High income” individuals are defined as those whose modified adjusted gross income (MAGI) exceeds \$145,000 (\$290,000 married). The subsidy begins being phased

out for single taxpayers with MAGI of \$125,000 and married taxpayers with MAGI of \$250,000.

### Subsidy Amount and Duration

The maximum subsidy will be 65% of the COBRA premium for up to 9 months. The subsidy will end earlier than 9 months if:

- The qualified beneficiary becomes **eligible** for coverage under another group health plan or Medicare. While eligibility for, rather than actual enrollment in, another group health plan or Medicare will end eligibility for the subsidy, in most cases the individual will still be able to continue COBRA coverage.
- COBRA coverage ends –for example due to failure to pay COBRA premium as required.

For individuals who did not elect COBRA when first eligible or who elected COBRA coverage but dropped COBRA, **coverage will be retroactive to the beginning of the first coverage period after February 17, 2009.** The maximum period of COBRA coverage will still be determined based on the date of the qualifying event.

### What This Means For Counties

While AEIs include those with qualifying events before February 17, 2009, COBRA coverage will not be retroactive to the date of the individual’s qualifying event but, in no event will it extend the allowable COBRA term. Coverage will be retroactive to the beginning of the first coverage period after February 17, 2009. For more on the new extended election period and notice requirements, consult the next Technical Update.

For more information, contact CTSI at 303-861-0507.