

COBRA Changes Under the American Recovery and Reinvestment Act of 2009 (ARRA) Economic Stimulus Bill

March 19, 2009 @ 10:00 a.m.

and

March 30, 2009 @ 2:00 p.m.

NOTE: This presentation has been updated to reflect the subsequent amendments to the federal ARRA law to further extend the COBRA subsidy. These amendments were signed into law on: April 15, 2010, March 31, 2010, and December 21, 2009. Updates are shown in green text.



Agenda:

- American Recovery and Reinvestment Act (ARRA)
- Overview of New COBRA Provisions-Lee Hayes
- Implementation and Administrative Issues -Lee Hayes
- Employer Requirements-Diane Scott
- Filing of 941 Tax forms-Diane Scott



Overview of ARRA Requirements

presented by Lee Hayes

- ARRA includes 65% premium subsidy
- COBRA Beneficiary only pays 35% of the premium (subsidy is available for up to 15 months rather than 9 months)
- Employer pays remaining 65% and will be reimbursed by means of a payroll tax credit by claiming the credit on the updated Tax form 941.
- PEEHIP office will provide each employer with a list of their eligible members.



Who is Eligible for the Subsidy?

- An “assistance eligible individual” (AEI) must:
 - Have a termination of employment during the period between September 1, 2008 and **May 31, 2010**
 - Have a termination status of “involuntary” in the employer portal
 - Must timely elect COBRA when first offered or during the additional election period

Employer Portal- Termination Reason

Employee Status

Status	Reason	Effective Date	End Date
Hired	New	02/01/2009	

* Status

Reason

* Effective Date

- Voluntary
- Involuntary
- Transfer
- Death
- Gross Misconduct
- Hired in error

Employee Class

Class	Effective Date	End Date
1	02/01/2009	

*

These are your
termination
reasons.



What is the definition of “involuntary termination”

- If the employee is terminated at the direction of the employer, this would appear to be an **involuntary** termination.
- However, any break in the employment relationship that is instigated by the employee, would be considered a **voluntary** termination.
- Employees who are terminated due to **gross misconduct** are not eligible for COBRA; therefore, they are not eligible for the subsidy.
- Employees can appeal the termination reason. For more information or assistance regarding terminations and employee appeals, contact DOL at 1-866-444-3272 or visit the website at www.dol.gov/COBRA



COBRA Subsidy Notices

2 notices are required by the Act

- “Second chance” or “Special Election” notice
 - Offered to individuals terminated from September 1, 2008-March 1, 2009 who did not elect COBRA when it was first offered OR who did elect COBRA, but are no longer enrolled. These members have a new election opportunity and have 60 days from the date of the notice to elect COBRA. COBRA enrollment date must be March 1, 2009.
 - PEEHIP is required to send the “Second Chance” COBRA notice to all individuals who were involuntarily or **voluntarily** terminated from September 1, 2008-March 1, 2009 but only the involuntarily terminated individuals will be eligible to enroll.
 - Employers will have to update the employer portal if the termination reason needs to be corrected and handle any questionable “voluntary” terminations.



COBRA Subsidy Notices—con't

- COBRA Subsidy Notice
 - PEEHIP must provide the COBRA Subsidy Notice on an ongoing basis to all COBRA qualified beneficiaries until **May 31, 2010.**



Notice regarding COBRA Subsidy Extension required to be sent by PEEHIP

- Updated Notices to:
 - Individuals terminated from September 1, 2008 through May 31, 2010 and who have not been provided an election notice
 - Individuals who are in a “transition period”, including those who qualify to make retroactive payment for certain periods of coverage
 - The updated notice includes information about the premium assistance extension from 9 to 15 months & the deadline for paying the back premiums



Transition Period

- An individual's "transition period" begins immediately after the end of the maximum number of months (generally nine) of premium reduction available under ARRA prior to the 12/21/2010 amendment
- An individual is in a transition period only if the premium reduction provisions would continue to apply due to the extension from 9 to 15 months & they otherwise remain eligible for the premium reduction



Second Election Opportunity

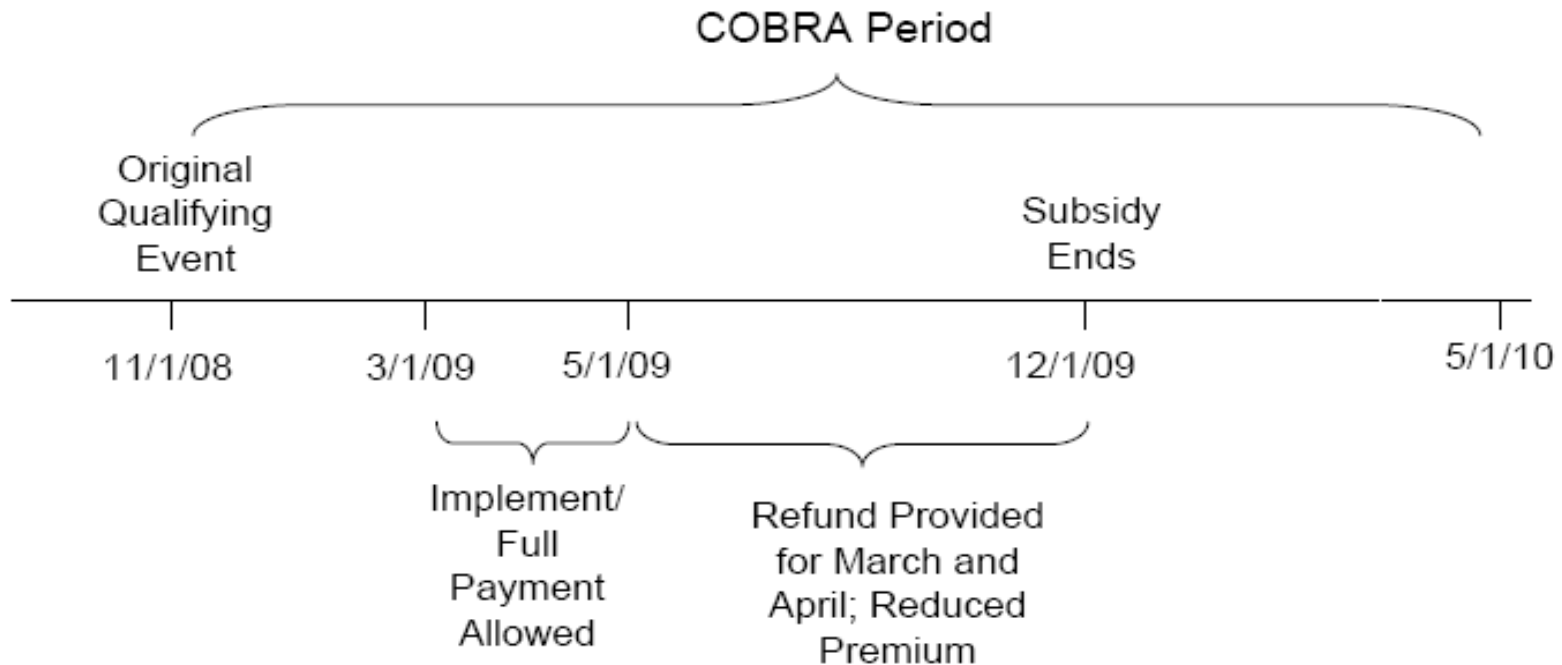
- The Temporary Extension Act of 2010 (TEA) allows a second election opportunity to individuals who have had a reduction in hours occurring between September 1, 2008 and May 31, 2010 and had an involuntary termination on or after March 2, 2010 but by May 31, 2010, and who did not originally elect COBRA or elected and subsequently discontinued COBRA.
 - These individuals get a second chance to enroll in COBRA and qualify for the subsidy for the remainder of their COBRA period.



Retroactive Eligibility

- The new law signed on April 15, 2010, provides retroactive eligibility for individuals who involuntarily lost their jobs after the prior COBRA subsidy expired on March 31, 2010.

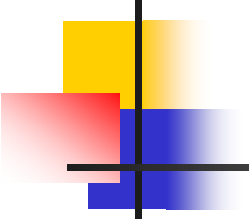
Qualifying event prior to ARRA enactment-Did not originally elect COBRA





When does the Subsidy End?

- When the first of one of the following events occurs:
 - Eligibility for other group health coverage
 - Eligibility for Medicare coverage
 - After 15 months of the reduction (rather than 9 months), or
 - Expiration of the maximum period of COBRA coverage or
 - Failure to make premium payment
- AEI is required to notify PEEHIP if eligible for other coverage or penalty of 110% of subsidy



Which PEEHIP Plans Qualify for the Subsidy?

PEEHIP Plans that qualify for the Subsidy?

- Hospital medical
- VIVA HMO plan
- PEEHIP Supplemental
- Dental
- Vision
- Tobacco fee

PEEHIP Plans that **do not** qualify for the Subsidy?

- Cancer Plans
- Indemnity Plans

COBRA Subsidy Premium Rates for 2008-2009

(Rates subject to change 10/1/09)

Amount to claim on Form 941

<u>Coverage</u>	<u>Premium paid by Employee (35%)</u>	<u>Employer Rate (65% rate)</u>	<u>Total: (Normal 100% COBRA rate)</u>
Single hosp/med	\$127.75	\$237.25	\$365.00
Family hosp/med	303.80	564.20	868.00
Supplemental	40.25	74.75	115.00
Dental/Vision	13.30	24.70	38.00
Tobacco	8.05	14.95	23.00
Cancer	38.00	0	38.00
Indemnity	38.00	0	38.00

COBRA Subsidy Premium Rates for 2009-2010

(Rates subject to change 10/1/10)

Amount to claim on Form 941

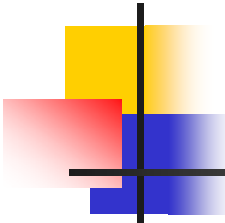
<u>Coverage</u>	<u>Premium paid by Employee (35%)</u>	<u>Employer Rate (65% rate)</u>	<u>Total: (Normal 100% COBRA rate)</u>
Single hosp/med	\$141.75	\$263.25	\$405.00
Family hosp/med	338.80	629.20	968.00
Supplemental	47.25	87.75	135.00
Dental/Vision	13.30	24.70	38.00
Tobacco	8.75	16.25	25.00
Cancer	38.00	0	38.00
Indemnity	38.00	0	38.00

Employer Requirements & Filing of the 941 Tax Form

presented by Diane Scott

- How will the employer be reimbursed for the COBRA subsidy?
 - PEEHIP will send monthly invoices to the employers for the 65% premium subsidy. The invoice will list the member, the PID and the month of coverage with each subsidy.
 - The employer will remit payment to PEEHIP within 15 days of the date of the invoice.
 - The employer will claim the payment as a credit on Line 12a of the Form 941 tax form as revised in January 2009.
 - The employer must also include on Line 12b, the number of individuals who were provided the COBRA premium assistance.

Example- Revised 941 Tax Form



Form **941 for 2009: Employer's QUARTERLY Federal Tax Return** 950109
(Rev. January 2009) Department of the Treasury — Internal Revenue Service OMB No. 1545-0029

12a COBRA premium assistance payments (see instructions)

12b Number of individuals provided COBRA premium assistance reported on line 12a.

13 Add lines 11 and 12a 13

14 Balance due. If line 10 is more than line 13, write the difference here 14
For information on how to pay, see the instructions.

15 Overpayment. If line 13 is more than line 10, write the difference here Check one Apply to next return.
 Send a refund.

▶ You MUST complete both pages of Form 941 and SIGN it. **Next** ➔

Two new lines have been added to the 941 Form regarding the COBRA subsidy.

12a. COBRA premium assistance payments

Report on this line the COBRA premium assistance payments you made. Only report the premium assistance payments you made for the assistance eligible individuals who have paid their reduced premiums. This amount should be 65% of the total COBRA premiums for assistance eligible individuals without regard to the reduction. Do not include any amounts paid to you by the COBRA assistance eligible individuals. For COBRA coverage provided under a self-funded plan, COBRA premium assistance payments are treated as having been made for each assistance eligible individual who pays 35% of the COBRA premium.

12b. Number of individuals provided COBRA premium assistance on line 12a

Enter the total number of individuals provided COBRA premium assistance payments reported on line 12a.



Other Employer Requirements

- No other information relating to the COBRA subsidy is to be submitted with the Form 941 besides the entries on Lines 12a and 12b.
- Employers must maintain supporting documentation for the credit claimed. This includes:
 1. A copy of the monthly invoice from PEEHIP
 2. Proof of timely payment to PEEHIP
 3. Documentations of the former employee's involuntary termination
- Watch for further guidance from the IRS concerning the inclusion of subsidy payments on the former employee's W-2 or 1099



Filing of 941 Tax form

- What will happen if Line 12a is larger than Line 10 on the Form 941?
 - This would result in an overpayment that could be applied to the next return, or requested as a refund.
- Will the due date of April 30, 2009 for the 1Q Form 941 be extended?
 - No extensions are available.



Additional Information and Assistance

- Visit the Department of Labor Web site for information related to the subsidy at <http://www.dol.gov/COBRA> or call 1-866-444-3272
- Visit the IRS web site to access all appropriate and revised tax forms at www.irs.gov or call 1-800-829-4933
- Contact PEEHIP at 1-877-517-0020



Helpful COBRA links

Fact Sheet on Premium Reduction Under ARRA

<http://www.dol.gov/ebsa/newsroom/fsCOBRAPremiumreduction.html>

Model Notices

<http://www.dol.gov/ebsa/COBRAModelnotice.html>

Department of Labor (DOL) FAQs on Premium Reduction Under ARRA

<http://www.dol.gov/ebsa/faqs/faq-cobra-premiumreductionER.html>

Internal Revenue Service (IRS) FAQs on Premium Reduction Under ARRA

<http://www.irs.gov/newsroom/article/0,,id=204708,00.html>

Form 941

<http://www.irs.gov/pub/irs-pdf/f941.pdf>

Form 941 Instructions

<http://www.irs.gov/pub/irs-pdf/i941.pdf>

DOL COBRA Web page

www.dol.gov/COBRA

IRS COBRA Web page

<http://www.irs.gov/newsroom/article/0,,id=204505,00.html>

HHS/Centers for Medicare and Medicaid Services COBRA Web page

<http://www.cms.hhs.gov/COBRAContinuationofCov/>



Questions and Answers
