

## Important Information

# COBRA PREMIUM REDUCTION

The American Recovery and Reinvestment Act of 2009 (ARRA) provides for premium reductions and additional election opportunities for health benefits under COBRA for eligible individuals. Eligible individuals pay only 35 percent of their COBRA premiums and the remaining 65 percent is reimbursed to the employer through a tax credit. The premium reduction applies to periods of health coverage paid beginning on or after February 17, 2009 and lasts for up to nine months.

An "assistance eligible individual" is the employee and/or members of his/her family who:

- Involuntarily terminated between September 1, 2008 and December 31, 2009;
- is eligible for COBRA continuation coverage at any time between September 1, 2008 and December 31, 2009; and
- elects COBRA coverage.

There is no premium reduction for premiums paid for periods of coverage prior to February 17, 2009.

The premium reduction for an individual ends upon eligibility for other group coverage (or Medicare), after 9 months of the reduction, or when the maximum period of COBRA coverage ends, whichever occurs first.

**SPECIAL COBRA ELECTION OPPORTUNITY:** Individuals involuntarily terminated from September 1, 2008 through February 16, 2009 who did not elect COBRA when it was first offered OR who did elect COBRA, but are no longer enrolled (for example because they were unable to continue paying the premium) have a new election opportunity. This election period begins on February 17, 2009 and ends 60 days after the plan provides the required notice. This special election period does not extend the period of COBRA continuation coverage beyond the original maximum period (generally 18 months from the employee's involuntary termination). COBRA coverage elected in this special election period begins with the first period of coverage beginning on or after February 17, 2009. This special election period opportunity does not apply to coverage sponsored by employers with less than 20 employees that is subject to State Law.

Plan administrators must provide notice about the premium reduction to individuals who have a COBRA qualifying event during the period from September 1, 2008 through December 31, 2009. Plan administrators may provide notices separately or along with notices they provide following a COBRA qualifying event. This notice must go to all individuals, whether they have COBRA coverage or not, who had a qualifying event from September 1, 2008 through December 31, 2009.

Individuals eligible for the special COBRA election period described above also must receive a notice informing them of this opportunity. This notice must be provided within 60 days following February 17, 2009.

In order to obtain the 65 percent tax credit, employers are responsible for reporting employees eligible for this coverage. Therefore, we have enclosed a "COBRA REPORTING" form which must be filled out and returned to Payroll Systems along with your regular quarterly reporting information.

More detailed information can be found on the Payroll Systems website. Go to: [www.payrolldoneright.com/stimulus.html](http://www.payrolldoneright.com/stimulus.html)