



Office of Human Resources and Equal Opportunity

Date: March 2010

To: Employees Covered by District Benefits and their Spouses and Dependents

From: Christine Vo
Benefits Manager

RE: **Amendment Summary of the COBRA Reduction Provisions under ARRA**
COBRA Subsidy Extended – Stopgap: New Rules for Reduced Hour Employees

President Barack Obama signed the Temporary Extension Act of 2010 into law, which provides a 31-day extension of eligibility for the COBRA subsidy that was initially provided in the American Recovery and Reinvestment Act of 2009 (ARRA). Employees who are involuntarily terminated from March 1, 2010 through March 31, 2010 are now eligible for up to 15 months of subsidized continuation of coverage. Furthermore, additional legislation has been *proposed* which will extend the premium to employees laid off through December 31, 2010.

The Temporary Extension Act also addresses eligibility of coverage for those employee coverage due to a reduction in hours but are not eligible for the subsidy when they are later involuntarily terminated. In order for these employees to have a new opportunity to elect COBRA and be eligible for the subsidy, the facts must satisfy certain conditions:

- The individual must have first lost coverage because of a reduction in hours at any time between September 1, 2008 and March 31, 2010.
- No COBRA election was made (or was made and discontinued) on the basis hours; and
- Employment was involuntarily terminated on or after March 2, 2010.

If these conditions are satisfied, the involuntary termination of employment will be treated as a qualifying event and a new election period of 60 days is created. However, for purposes of calculating the duration of the continuation coverage, the period will be counted from the reduction in hours rather than the involuntary termination. In the case the employee may elect COBRA coverage for the period following termination of employment without the need to pay for COBRA coverage for the gap between the reduction in hours and the involuntary termination of employment.

For example, an employee who lost medical coverage on July 1, 2009 due to a reduction in hours is later terminated on March 31, 2010. The employee did not elect COBRA when his hours were reduced. This employee is eligible for the subsidy for the period following his termination of employment (i.e. March 31, 2010). However the duration of the subsidy will be only six months because the 15-month period for the subsidy is counted from July 1, 2009.

Eligibility for the Premium Reduction: The premium reduction for COBRA continuation coverage is available to "assistance eligible individuals".

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

- has a qualifying event for continuation coverage under COBRA or a State law that provides comparable continuation coverage (for example, so-called "mini-COBRA" laws) that is the employee's involuntary termination at any point from September 1, 2008 through March 31, 2010; and
- elects COBRA coverage timely.

Those who are eligible for other group health coverage (such as a spouse's plan) or Medicare are not eligible for the premium reduction. There is no premium reduction for premiums paid for periods of coverage that began prior to February 17, 2009.

Assistance eligible individuals who pay 35 percent of their COBRA premium are treated as having paid the full amount. The premium reduction (65 percent of the full premium) is reimbursable to the employer, insurer or health plan as a credit against certain employment taxes.

Period of Coverage

The premium reduction applies to periods of coverage beginning on or after February 17, 2009. A period of coverage is a month or shorter period for which the plan charges a COBRA premium. The premium reduction for an individual ends upon eligibility for other group coverage (or Medicare), after 15 months of the reduction, or when the maximum period of COBRA coverage ends, whichever occurs first. Individuals paying reduced COBRA premiums must inform the district if they become eligible for coverage under another group health plan or Medicare.

This law applies to the District Health Plans effective March 1, 2010.

If you have any questions, please contact Christine Vo, Benefits Manager, at 650-949-6225 or via e-mail: VoChristine@fhda.edu.