Q&A

New changes to the COBRA premium subsidy

The American Recovery and Reinvestment Act of 2009 (ARRA) provides premium subsidies for COBRA and state continuation coverage that's comparable to COBRA. Recent amendments to the law made important changes to the subsidy requirements, including:

- Extending the maximum time that someone can have the subsidy from 9 to 15 months.
- Extending the last date for a qualifying involuntary termination of employment to May 31, 2010.
- Allowing certain people who had a reduction in employment hours followed by an involuntary termination of employment during the period March 2, 2010 through May 31, 2010, to qualify for the subsidy.

The subsidy applies to periods of continuation coverage that began on or after February 17, 2009. Use this Q&A to help answer your questions about the new requirements.

Q: How did the law change?

A: ARRA allows subsidy-eligible individuals to pay only 35 percent of their COBRA or comparable state continuation coverage premiums. The remaining 65 percent is reimbursed through a payroll tax credit to the former employer or health plan. The new requirements:

- Extend the maximum time that someone can receive the subsidy from 9 months to up to 15 months. The maximum duration of continuation of coverage varies by state.
- Extend the last date for a qualifying involuntary termination of employment to May 31, 2010.
- Allow certain individuals to be eligible for the subsidy if they experienced a reduction of employment hours from September 1, 2008, through May 31, 2010, and later had an involuntary termination of employment during the period from March 2, 2010, to May 31, 2010.
- Eliminate the requirement that COBRA or comparable state continuation coverage has to begin by a particular date for someone to be eligible for the subsidy.
- Create transition rules for people who exhausted the original 9-month subsidy period before December 19, 2009, but who would have remained eligible for the subsidy under the new rules.
- Require new notices and revisions to existing notices.

For more information, please contact your Kaiser Permanente representative. If you have questions about the law or your role under the new requirements, please contact your legal counsel or visit the Department of Labor Web site.

Kaiser Permanente cannot give you legal or financial advice. To find out more about claiming the subsidy as an offset against your payroll taxes, contact the Internal Revenue Service.

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Q: How has the law changed for my region?

A:

Region	State continuation coverage	More information
Colorado	Extended to 15 months	www.dora.state.co.us/insurance/pb/pb.htm
Georgia	Extended up to 15 months	http://www.gainsurance.org/publicinformation/
Maryland	18 months	Maryland: www.mdinsurance.state.md.us
Virginia	Extended to 15 months	Virginia: www.scc.virginia.gov/division/boi
Washington, DC	Extended to 15 months	Washington, DC: www.disb.dc.gov
Ohio	Extended up to 15 months	http://www.insurance.ohio.gov/consumer/pages/cobra.aspx
Oregon	Extended up to 15 months	http://insurance.oregon.gov/consumer/consumer-issues/federal-stimulus-info/federal-stimulus-info.html

Q: Where can I get revised model notices that incorporate the changes?

A: Revised model notices are available at the Department of Labor's Web site, www.dol.gov/ebsa/cobramodelnotice.html.

Q: What is Kaiser Permanente doing to implement the changes?

A: To support the changes made to the law on December 19, 2009, we're implementing the following for members with state continuation coverage and those in groups where we bill and collect COBRA premiums:

- New and revised notices for the state continuation coverage subsidy are now available.
- Members who currently receive the subsidy will continue to receive it for up to 15 months. Groups will let us know when a member is no longer eligible to receive the subsidy.
- Members who received 9 months of subsidy and are now paying 100% of their premium will get refunds or credits to reimburse them for the subsidy amount on past payments. As long as they're eligible, they'll receive the subsidy for up to 15 months.
- Members who reached their 9th month of subsidized coverage in January 2010 will remain eligible for the subsidy for up to 15 months.
- Former members with state continuation coverage who dropped their coverage after exhausting the 9 months of subsidy but would have been eligible for the subsidy under the new law will be able to reinstate their coverage and get up to 6 additional months. Former COBRA members have a limited right to reinstate their coverage and subsidy once the employer group notifies us.

Additional changes reflecting the April 15, 2010, legislation will be made when more information is available from the Department of Labor.

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Q: How is the subsidy handled?

A: The way the subsidy is handled varies for each of these three scenarios:

1. **The employer, group health plan (in the case of an ERISA multiemployer plan), or a third-party administrator performs the COBRA bill-and-collect function.**
   - The employer sends required notices about the subsidy to former employees and their dependents.
   - Whether or not applicants qualify for the subsidy is determined by the employer.
   - The employer bills the subscriber 35% of the total premium for members who qualify for the subsidy.
   - The entire COBRA premium is paid to Kaiser Permanente by the employer.
   - The employer gets reimbursed for the subsidy through a payroll tax credit.

2. **We perform the COBRA bill-and-collect function** (for Maryland, Virginia, and Washington, DC, groups only).
   - The employer sends required notices about the subsidy to former employees and their dependents.
   - The employer determines whether applicants qualify for the subsidy and then notifies us of all members who qualify.
   - We bill the subscriber 35% of the COBRA premium for members who qualify for the subsidy.
   - After we receive the subscriber's payment, we bill the group for 65% of the premium.
   - Once both portions of the premium are paid, the employer gets reimbursed for their portion through a payroll tax credit.

3. **The employer is subject to state continuation coverage instead of COBRA.**
   - The employer sends us a list of individuals who have a qualifying event.
   - We send any required notices to the group's former employees and their dependents.
   - Individuals can complete an application for the subsidy and send it to their former employer group.
   - The employer group completes their section of the application and returns the form to us.
   - We review the application and notify the group and applicant whether the request was approved or denied.
   - The employer collects 35% of the state continuation coverage premium for members who qualify for the subsidy and pays it to us.
   - We get reimbursed for the remaining 65% through payroll tax credits.

The information in this flyer was accurate at the time of production. However, details may have changed. For the most current information, please visit the Department of Labor website.

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