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Advisory Bulletin

February 17, 2009

American Recovery and Reinvestment Act of 2009

Today, the President signed the American Recovery and Reinvestment Act (ARRA), also known as the 2009 Economic Stimulus Plan. The ARRA legislation makes several important and significant changes to COBRA that will affect most employers.

Important Changes to COBRA

COBRA Premium Subsidy

The Federal Government will subsidize COBRA premiums for employees who were involuntarily terminated from employment (other than gross misconduct) between September 1, 2008 and December 31, 2009.

The subsidy will be equal to 65% of the total premium and will last for up to 9 months, or until the individual becomes eligible for coverage in another employer's plan or Medicare. The subsidy is not available for individuals with adjusted gross income in excess of \$125,000, or for couples with adjusted gross income in excess of \$250,000.

Employers will be required to remit the full monthly premium to their insurance carrier and deduct the subsidy amount from their payroll tax obligation.

A statement of the involuntary terminations, and the premium subsidies accrued will be reported by the employer to the IRS. If the subsidy is more than the payroll taxes due, the government will send a check to the employer.

New Notification Period

The COBRA Administrator / Employer must provide notification to any employee who was involuntarily terminated between September 1, 2008 and March 1, 2009. The notice must inform them of their right to elect COBRA coverage commencing on March 1, 2009. The Gap in coverage between the event date and the start of the new coverage shall be disregarded for purposes of determining pre-existing condition limitations.

Changes in Plan Enrollment Capability

If an employer offers multiple health plan options, and a current COBRA participant's coverage is more expensive than one or more of these options, there will be a new 90 day open enrollment period to allow him/her to elect the less expensive option. Previously, this option was only

offered at the plan's open enrollment period.

Benefit Strategies' Response

Benefit Strategies is working closely with our COBRA software vendor to respond quickly to the new regulations on behalf of our clients who engage us to provide COBRA administrative services. Specifically we will work with our COBRA clients to:

* Re-notify former employees who were terminated after 9/1/2008 of their new COBRA rights for the new enrollment period.

*Verify whether terminations were "involuntary"

*Reduce COBRA premiums by 65% for 9 months between March to December 2009.

*Notify all current COBRA participants of their ability to change plan enrollment within the next 90 days

Benefit Strategies stands ready to provide COBRA outsourcing services to any employer who does not want to take on the administrative burdens contained in this new law.

If you would like additional information please contact:

Lori MacKnight at 888-401-3539 Ext. 1036

We will provide updated information over the next few days as it becomes available.

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