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SPECIAL NEWSLETTER
New COBRA Premium Subsidies

April 2009

Hi to all. This is a special edition of my newsletter specifically devoted to helping you understand the new 65% nine-month COBRA premium subsidy—part of President Obama's 2009 economic stimulus package—and how it works for you as an employer, employee, or recently unemployed person. Keep in mind that this law was just passed on February 17, 2009. What I share with you here are the facts that have been released so far. This special newsletter is provided as part of my ongoing risk management services to you. I hope you find the information useful.

***ILLUSTRATING THE
PROBLEM: DAVE AND
MARY'S STORY***

Dave and Mary are both in their mid-40's with three children. Dave is an engineer and Mary a homemaker. Dave was laid off in February and had decided to pass on his March 1 COBRA continuation option because they cannot afford the \$1,200 monthly premium. They called me to see about the cost of individual health plans. They ended up deciding on a plan with a \$15,000 per person, \$45,000 per family deductible. The monthly cost is \$440—all they can afford.

Then Obama's COBRA subsidy program was enacted. Starting March 1, Dave and Mary could get the COBRA plan at Dave's old job by paying only 35% of the \$1,200 monthly cost—about \$400 a month for up to nine months. That is the choice I advised them to take and they did. Considerably better coverage without risking up to \$45,000.

SOME FREQUENTLY ASKED QUESTIONS

***"WHAT TIME FRAME
DOES THE LAW APPLY
TO? HOW DOES IT
WORK?"***

It applies to all involuntary job losses between September 1, 2008, and December 31, 2009. If you qualify and elect to continue your health and/or dental insurance under COBRA, Uncle Sam will pay 65% of the cost for you for up to 9 months.

***"WHAT HAPPENS
AFTER NINE MONTHS?"***

As of now, unless Congress extends it, the subsidy will end, and you will be responsible for 100% of the COBRA premium again. If that's not affordable for you, and if you are still unemployed with no job in sight, contact us about getting a new individual policy about two months before your nine-month subsidy expires. (It takes about two months for an insurance company to underwrite an individual health policy application.)

***"WHAT IF MY INDIVIDUAL
APPLICATION IS
DECLINED FOR HEALTH
REASONS?"***

You are protected by HIPAA—the Federal law that guarantees your right to an individual health policy with immediate coverage for any pre-existing medical condition. (Providing that you've had prior health coverage for at least 12 consecutive months with no interruption of more than 63 days.)

***"DOES THE SUBSIDY
APPLY COBRA
BENEFITS TO ANY SIZE
EMPLOYER?"***

Yes, to any size employer when you have a COBRA option. Federal COBRA law requires only companies with 20 or more employees to offer COBRA benefits. But many states, including Minnesota, my home state, have extended COBRA to apply to any company with as few as two employees.

***"WHAT IF I HAVE LOST
MY JOB BECAUSE MY
EMPLOYER WENT OUT
OF BUSINESS?"***

In that case, there is no longer an option to continue your group coverage. You should apply for individual coverage or get added to your spouse's health plan as a dependent if he/she has group health coverage through their employer.

“WHAT IF I WAS LAID OFF AFTER 9/1/08 AND I DECLINED MY COBRA OPTION AT THAT TIME BECAUSE OF COST?”

Great news for you! You must be given a new 60-day period to re-elect COBRA. So, for example, if you lost your job on October 1, 2008, you would have the chance to change your mind again starting March 1, and you would only owe 35% of the actual premium for the next nine months. However, the clock would begin ticking off your 18 months maximum COBRA option as of October 1, 2008, when it first was offered to you. If you've gone without coverage in the meantime for more than 63 days, that period without coverage won't count against your pre-existing condition coverage.

“WHAT IF I'M ON COBRA AND HAVE BEEN PAYING PREMIUMS IN FULL, CAN I GET REIMBURSED?”

No. Sorry. You can only get the subsidy for premiums starting March 1, 2009, and beyond. You can, however, still get the subsidy for a full nine months if you need it.

“WHEN DOES THE SUBSIDY END?”

The earlier of nine months from the start date or the date you get coverage elsewhere (i.e., through a new job, through a spouse's job, or through Medicare.)

“ARE THERE ANY INCOME LIMITS ON SUBSIDY ELIGIBILITY?”

Nothing you have to worry about now but, yes, if your income exceeds \$145,000 for individuals or \$290,000 for joint filers, you are not eligible, so the amount will be added to your taxable income for 2009. If you earn between \$125,000 and \$145,000 individually or between \$250,000 and \$290,000 jointly, the subsidy will be partially taxed.

“I'M AN EMPLOYER. WHAT ARE MY RESPONSIBILITIES?”

You have three requirements:

- 1) **By April 18, 2009**, notify anyone terminated since September 1, 2008, of their new rights.
- 2) **For those who did not elect COBRA initially** – notify them of their right to a new 60-day COBRA election period and that the premium will be 35% of their full group premium. They have 60 days to decide from the time they receive your notice. For those who accept within the 60-day period, add them back on to your group coverage and collect 35% of the premium each month.

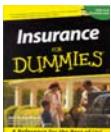
For those who did elect COBRA initially and have been paying the full premium – that starting March 1, 2009, they'll only have to send you 35% of their full premium.

- 3) Then pay the 65% difference yourself and take it as a credit against payroll taxes. (Check with your accountant about getting a revised 941 payroll tax submittal form.)

If you are not directly affected either as someone who has lost their job or in danger of losing their job, and you know someone who is affected, please pass this information on to them. If you still have questions or need help deciding what's best for you, call me personally.

All the best,

Jack Hungelmann



Insurance for Dummies authored by Jack Hungelmann. Buy it online at www.dummies.com or www.amazon.com.