

HUMAN RESOURCES MEMORANDUM 09-023	DATE ISSUED: 09/02/2009
SUBJECT: COBRA Dental and Vision Premium Assistance (Subsidy)	REFERENCE: None
TO: Personnel Liaisons; Attendance Clerks; Personnel Specialists	SUPERCEDES: None

PLEASE ENSURE THAT THIS INFORMATION IS SHARED WITH YOUR EMPLOYEES

Purpose

The purpose of the Human Resource Memorandum is to provide information regarding COBRA subsidy for dental and vision benefits.

American Recovery Reinvestment Act (ARRA)

ARRA was signed into law on February 17, 2009, and provides COBRA premium assistance (subsidy) to pay for group health coverage for an Assistance Eligible Individual (AEI). On March 31, 2009, the Internal Revenue Services (IRS) issued Notice 2009-27, to clarify the definition of health coverage to include dental and vision programs.

Who is a Qualified Beneficiary?

An Assistance Eligible Individual is a COBRA qualified beneficiary whose employment is involuntarily terminated not due to "gross misconduct" between September 1, 2008, and December 31, 2009.

Time Limits on COBRA Subsidy

Involuntarily terminated employees are entitled to up to 18-months of COBRA eligibility from the date of the qualifying event.

Assistance Eligible Individual(s) may receive up to a maximum of 9 months of COBRA subsidy.

The effective date of COBRA continuation coverage will vary for qualified beneficiaries who elect under the new 60-day election period.

ARRA requires that the COBRA continuation coverage is retroactive to the original loss of coverage date. For these individuals who elect COBRA under the second election period, the COBRA premium assistance effective date is March 1, 2009.

Involuntary Terminations

An involuntary termination of employment is any termination of employment that is not due to "gross misconduct". All involuntary terminations of employment that occur between September 1, 2008, and December 31, 2009 may be eligible for the COBRA subsidy.

New 60-day Second Election Period

The special 60-day election period applies to individuals who experienced an involuntary termination and:

- Are already enrolled in COBRA on or after September 1, 2008, where their qualifying event was on or after September 1, 2008
- Had a qualifying event and were eligible for COBRA from September 1, 2008, forward, but declined it, or

- Were enrolled in COBRA on or after September 1, 2008, but cancelled it before March 1, 2009, and are still in their COBRA election period as of March 1, 2009.

What is the COBRA Premium Assistance (Subsidy)

ARRA is a subsidy program that requires employers to pay 65 percent of the monthly COBRA premiums for health, dental, and vision. The Assistance Eligible Individual is required to pay 35 percent of the monthly COBRA premiums. An Assistance Eligible Individual is eligible to receive the subsidy for a maximum of 9 months.

COBRA Premium Assistance Eligibility Criteria

A qualified beneficiary is eligible for the COBRA premium assistance under the following criteria:

- Eligible former employee, spouse, or dependent children who elected or did not elect COBRA based on the qualifying event of an involuntary termination of employment that occurs on or after September 1, 2008, through December 31, 2009.

Not eligible for COBRA Premium Assistance subsidy

The following individuals are not eligible for the COBRA premium assistance:

- Individuals who are or who subsequently become covered under another group health plan, not including dental only and vision only coverage such as:
 - Health reimbursement arrangement (HRA)
 - Health flexible spending account (HAS)
 - On-site clinic that primarily offers first-aid, wellness or prevention benefits.
 - Actual enrollment in another group health plan is not required to be disqualified from COBRA Premium Reduction as long as the individual meets eligibility for another plan;
- Individuals that have reached the end of the COBRA eligibility period
- Individuals that have received a total of nine months of COBRA premium reduction assistance;
- Registered domestic partners or same-sex spouses
- Individuals who become eligible for COBRA as the result of a qualifying event that is not attributable to an involuntary termination

High Income Individuals

High income individuals who take the subsidy will be subject to increased tax liability for any subsidy taken in the tax year that they received the subsidy.

The tax liability is increased, to achieve repayment of a portion of the subsidy, for those taxpayers whose modified adjusted gross income is between \$125,000 and \$145,000 or \$250,000 and \$290,000 for those filing joint returns.

Questions

If you have any questions, please contact your personnel specialist.

/s/

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