



## Stimulus Package - COBRA Impacts

02/17/2009

Volume 1.Issue 1.

Staying on top of federal legislative and regulatory activities regarding our industry is crucial to being a well-informed benefits advisor. As your partner, BenefitMall strives to keep you abreast of changes affecting our business. In our new communication series – Legislative Alert – we will provide in-depth legislative analysis and how it impacts you, your business and your clients.

In an effort to revitalize our economy, President Obama signed into law a \$790 billion economic stimulus package – the American Recovery and Reinvestment Act. This plan combines \$281 billion in tax cuts with \$311 billion in programs funded by appropriation committees and \$193 billion for benefits programs.

### **COBRA Components**

This plan includes provisions to help eligible jobless workers pay for health insurance under COBRA. Available to employers with 20 or more employees, COBRA allows newly unemployed workers to keep health insurance provided by their former employers. Traditionally, these premiums are prohibitively expensive.

Components include:

- **Premium Reduction/Subsidy:** For workers who were involuntarily terminated between September 1, 2008 and December 31, 2009, the government will subsidize 65% of their premiums under COBRA for nine months. This subsidy also applies to healthcare continuation coverage if required by the state.
- **Special Election Period:** For workers who were involuntarily terminated between September 1, 2008 and the day the stimulus Law goes into effect, and who did not sign up for COBRA, will get an additional 60 days to do so and receive the subsidy.
- **New Notification Period:** Within 60 days of enactment, the Employer or COBRA Administrator shall provide an additional notification to any Assistance Eligible Employee who became entitled to elect COBRA before enactment of this Law.
- **Tax Credit for Employers:** To offset the employer's expense, the employer may take a full tax credit for its expenditures out of its payroll taxes including both income tax withholding and FICA.
- **High Income Exclusion:** If the modified adjusted gross income (AGI) of a participant exceeds \$125,000 a year, or a family's AGI exceeds \$250,000, their income tax will be raised by the premium reduction amount – effectively removing the subsidy.
- **Plan Enrollment Option:** Qualified Beneficiaries (QBs) under the stimulus will have the option to change plans to another product offer by the Employer with the following requirements:
  - Employer agrees to allow QBs to enroll in different coverage
  - The selected plan does not exceed the premium for coverage in which the individual was enrolled at the time the qualifying event occurred
  - Plan cannot be Dental, Vision, Counseling, Referral or FSA
  - Coverage is also offered to active employees

### **Broker Impact**

As a benefits advisor, you are in the unique position to assist your clients in understanding the implications of the stimulus Law, and more specifically the effects of the COBRA provisions. In addition to being a source of information, this is a good opportunity for you to consult with your employer groups to determine if a COBRA Administrator is a viable solution for their needs.

### **Client Impact**

This Law will have a direct impact on your clients with regard to the administration of their healthcare benefits. In compliance with the Law, your employer groups must:

- Send a notice to involuntarily terminated employees since September 1, 2008 with a description of their rights and obligations regarding the subsidy.
- Update all COBRA forms and enrollment materials to reflect the changes.
- Or, if currently working with a COBRA Administrator, coordinate with the Administrator to send notices and update forms.
- Take a full tax credit out of their payroll taxes for its expenditures associated with the subsidy.

In an effort to keep your clients apprised of these legislative changes, BenefitMall has drafted a *Stimulus Package – COBRA Impacts* form letter for you to send to your clients. Simply download the letter, fill in the blanks, print on your company's letterhead and mail. [Click here](#) to get started.

Be on the look out for future editions of BenefitMall's Legislative Alert. In the meantime, if you have any questions or would like additional details, contact your BenefitMall Sales Team.

Sincerely,



Bernard DiFiore  
President and Chief Executive Officer

*BenefitMall's Legislative Alert is for general information purposes only. The information contained in this announcement should not be taken as legal or tax advice specific to any individual or organization.*