

Temporary Extension Act, 2010 – COBRA Subsidy Extension QUESTIONS AND ANSWERS

Updated 4/1/10

The American Recovery and Reinvestment Act of 2009 (ARRA), which President Obama signed on Feb. 17, 2009, expanded eligibility of COBRA and provides a premium subsidy to certain qualified individuals. On December 19, 2009 ARRA was amended by the Department of Defense Appropriations Act, 2010 (2010 DOD Act) by extending the duration of the premium subsidy and the initial eligibility effective date that the ARRA stimulus can go into effect. On March 2, 2010 ARRA was again amended through the Temporary Extension Act of 2010 by extending the initial eligibility date of the premium subsidy and including terminations after a reduction in hours had occurred.

GLOSSARY OF TERMS

ARRA – American Recovery and Reinvestment Act of 2009 – economic stimulus program enacted into law on February 17, 2009 to provide premium assistance to COBRA members who were involuntarily terminated from employment and eligible for COBRA between September 1, 2008 and December 31, 2009. (See COBRA Subsidy Q&A)

COBRA – Consolidated Omnibus Rehabilitation Act of 1985 — continuation coverage of the health plans offered by the employer.

AEI – Assistance Eligible Individual — consists of employee, spouse and dependent child(ren) eligible for a subsidy provided by ARRA.

Qualified beneficiary – The employee, spouse and dependent child(ren) who were covered by a group health plan at the time of a qualifying event that implemented COBRA continuation coverage.

DOD – Department of Defense

TEA – Temporary Extension Act, 2010

I understand that there has been a change to the period of time that a person can experience a termination and be eligible for a subsidy. What was that change?

The TEA extended the initial eligibility date for the premium subsidy through March 31, 2010. So, if you lost benefits due to involuntary termination between September 1, 2008 and March 31, 2010, you would be eligible for the ARRA subsidy.

If my terminating event occurred in March 2010, but my COBRA begins April 1, or later, am I eligible for the subsidy?

Yes. If your subsidy-eligible qualifying event occurred within the dates of September 1, 2008 and March 31, 2010, but your COBRA doesn't begin until after those dates, the 15-months subsidy would be available.

What if I experienced a reduction in hours and was terminated from employment later?

If you experienced a reduction in hours and were offered COBRA and either elected and discontinued the COBRA, or never elected it at all, and then were terminated from employment between the dates of March 2, 2010 and March 31, 2010, then you are entitled to a second election period that is eligible for ARRA per the TEA.

Do I get a full 18 months of COBRA if I experience an involuntary termination after a reduction in hours?

Your 18-month COBRA period will be calculated from your original event of the reduction in hours.

Example: You experience a reduction in hours on November 15, 2009 and are offered COBRA beginning December 1, 2009. On March 6th your employment is terminated. You will be offered a new election period due to the termination beginning April 1, 2010. The COBRA period will begin calculating from December 1, 2009, as this was your original COBRA effective date, with COBRA benefits ending June 30, 2011.

When does the 15-month stimulus period begin if I experience an involuntary termination after a reduction of hours?

The stimulus will begin on the first billing period after the involuntary termination, **not** back to the original effective date of the reduction in hours. The stimulus will continue through the earlier of a period of 15 months, until the end of your COBRA period or until you experience a terminating event such as paying premium late or gaining other group coverage. A person that experiences a disability extension may continue to receive the subsidy.

If I did not elect COBRA and I elect later, will there be a gap?

Under TEA, there will be no break in coverage for purposes of pre-existing conditions as long as COBRA is elected during the second election period. However, you do not have the option of adding COBRA coverage retroactively to your original qualifying event.

What happens if I elect COBRA due to a reduction in hours and pay my full premium during my COBRA period and then experience a termination of employment between March 2 and March 31, 2010? When does the stimulus apply?

The stimulus will begin on the first billing period following the involuntary termination.

If I experience an involuntary termination between March 2 and March 31, 2010 and have already experienced a reduction in hours, what type of notice will I receive?

You will receive a Notice of New Election Period within 60 days of your termination date. You will then have 60 days to elect COBRA back to the COBRA effective date due to the termination.