

## **FAQ's relating to the changes in COBRA provisions**

### **Q: What is the COBRA premium subsidy?**

A: As part of the American Recovery and Reinvestment Act of 2009 [ARRA] or the stimulus package signed on February 17, 2009, **qualified individuals** will have expanded eligibility for COBRA continuation coverage and a reduction in their COBRA premium for up to 9 months.

The subsidy provides these qualified individuals with a 65% price reduction on the cost for COBRA for up to 9 months. You would be responsible for paying 35% of the cost and the employer will be responsible for the remaining 65%. The employer may then claim the subsidy amount as a credit against federal tax withholding and payroll taxes.

---

### **Q: Who is eligible to receive the COBRA premium subsidy?**

A: Employees, their eligible spouses and dependents who are eligible for COBRA continuation coverage starting from September 1, 2008 through December 31, 2009, due to an employee's involuntary termination of employment, are eligible for the subsidy. Terminations as a result of gross misconduct generally would not qualify for COBRA or the subsidy.

You must elect COBRA when first offered or during the additional special election period and you cannot be eligible for other group health coverage (such as a spouse's or new employer's health plan) or Medicare.

The subsidy will be phased out for individuals with a modified adjusted gross income over \$125,000 (or \$250,000 joint filers) for the tax year in which the subsidy is received. Individuals whose income exceeds these limits will pay taxes on a portion of the amount of the subsidy received, based on their modified adjusted gross income. If you think that your income may exceed the amounts above, consult your tax preparer or contact the IRS at [www.irs.gov](http://www.irs.gov).

---

### **Q: Is this provision for just employees who involuntarily lose their jobs — or will it apply to all employees even if they leave voluntarily?**

A: The credit applies only to involuntarily terminated employees and their family members who are qualified beneficiaries.

---

### **Q: I was laid off after September 1, 2008, but initially declined COBRA or dropped coverage because I could not afford it. Can I enroll in COBRA now and receive the subsidy?**

A: Yes. If your qualifying event was an involuntary termination between September 1, 2008 through February 16, 2009, and you are not enrolled in COBRA coverage (because you never elected COBRA or because you elected but later dropped it), you will have a second opportunity to enroll. The plan is required to notify of you of the second election period by April 18, 2009, after which time you will have 60 days to enroll in COBRA coverage with the subsidy.

---

### **Q: If I didn't elect COBRA initially will this create a gap in coverage?**

A: Those who elect coverage during the Special Election Period, any gap in coverage arising prior to the Enactment date is not considered a break in coverage for purposes of HIPAA's creditable coverage rules. Certificate of Creditable Coverage issue by the plan administrator for these qualified individuals must reflect this rule.

---

**Q: How do I apply for the COBRA premium subsidy?**

A: By April 18, 2009, the state of Florida will send a notice providing information on the expanded COBRA eligibility criteria and information about the subsidy. These materials should also provide additional information necessary for enrollment. You may contact the People First Service Center at 1-866-663-4735 for other general questions or to ask about taking advantage of the COBRA premium subsidy.

---

**Q. What is the Special Election period for?**

A: The Special Election Period will allow individuals who would have been eligible for the subsidy (employees terminated involuntarily since September 1, 2008, but had not elected COBRA as of February 17, 2009) to have an opportunity to enroll or re-enroll for COBRA continuation coverage. The election period begins on February 17, 2009, and ends 60 days after the notice of the Special Election Period is provided to the individual.

---

**Q: If I elect COBRA during this Special Election Period when does my coverage and subsidy start?**

A: If you enroll during the Special Election Period, your coverage will begin with the first period of coverage beginning after February 17, 2009 (March 1 for employers with monthly coverage periods). The subsidy will also be effective March 1, thru the end of your original COBRA continuation coverage date.

**Note:** The continuation coverage will end no later than the day that your coverage would have normally ended if you had originally elected COBRA based on the date of the original qualifying event (your involuntary termination date).

---

**Q: I'm enrolled in COBRA and currently paying premiums. If I am eligible for the subsidy, will I receive a refund of 65% of all the premiums that I have paid since September 2008?**

A: No. The COBRA premium subsidy provisions apply only to premiums for coverage periods beginning on or after February 17, 2009. If you are eligible for the premium reduction (35% of the COBRA premium) but paid in full for periods of COBRA coverage starting with your March 2009 coverage, you should contact the People First Service Center at 1-866-663-4735 to discuss your refund.

---

**Q: How long will the COBRA premium subsidy last?**

The subsidy can last for up to 9 months. However, it will end earlier if:

1. You become eligible for Medicare or another group health plan (such as a plan sponsored by a new employer or a spouse's employer), or
2. You reach the end of your maximum COBRA coverage period.

If you plan to continue your COBRA coverage after the subsidy period ends, you will have to pay the full amount of the premium. Failure to do so may result in your loss of COBRA coverage.

Individuals paying reduced COBRA premiums must notify their plans if they become eligible for coverage under another group health plan or Medicare. Failure to do so can result in a tax penalty.

---

**Q: What can I do if my group health plan denies my application for the premium subsidy?**

A: If are determined ineligible for the premium subsidy, you can request an expedited review. The Department of Health and Human Services will handle appeals for Federal, State, and local governmental employees, as well as appeals related to group health insurance coverage provided pursuant to state continuation coverage laws. A determination regarding your appeal should be made within 15 business days

after receiving your completed application for review.

---

**Q: Will the COBRA premium subsidy be taxable income for the individual?**

A: The premium subsidy is not included in the individual's income. However, there is a phase-out of eligibility for the subsidy, which will increase some high-income individuals' tax liability if they receive the subsidy. The phase-out impacts individuals whose modified adjusted gross income exceeds \$125,000 (\$250,000 for those filing joint returns). 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). If a taxpayer's modified adjusted gross income exceeds \$145,000, (\$290,000 for those filing joint returns), the full amount of the subsidy must be repaid as an additional tax. There is no additional tax for individuals with modified adjusted gross income less than these income levels.

---

**Q: How can I get more information on my eligibility for COBRA or the premium subsidy?**

A: Visit the Department of Labor's Web site at [www.dol.gov/COBRA](http://www.dol.gov/COBRA) for more information. Benefits Advisors are also available to assist you at 1-866-444-3272.