

## ARRA UPDATE: COBRA Subsidies

March 23, 2009



On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (ARRA) which provides over \$780 billion in funding and tax cuts to stimulate the national economy and create jobs over the next two year by investing in critical sectors such as energy, health care, infrastructure and education. This legislation also provides access to job training opportunities, extends unemployment benefits and provides assistance to relieve the burden of health benefit costs.

In order to address the health care needs of those who are unemployed, ARRA provides increased access to Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) benefits for employees who were, or will be, involuntarily terminated from their positions between September 1, 2008 and December 31, 2009. School districts will need to notify prior employees of this change in COBRA benefits.

Eligible individuals will pay only 35 percent of their COBRA premiums and the remaining 65 percent is reimbursed to the coverage provider through a tax credit. The premium reduction applies to periods of health coverage beginning on or after February 17, 2009, and lasts for up to nine months.

School district should take immediate steps to comply with these new requirements, as they will need to identify former employees who are eligible for the subsidy and contact their COBRA service providers to determine the appropriate process the district will need to follow.

On March 19, 2009, the US Department of Labor released information to assist the public and employers in understanding how the new benefit will be applied. Model notices that employers can use to explain to former employees how to advantage themselves of the change in COBRA coverage and the subsidy are now available through these following links.

**Department of Labor Information:** <http://www.dol.gov/ebsa/cobra.html>

Model Notices - <http://www.dol.gov/ebsa/COBRAmodeInotice.html>

FAQ's for Employers: [http://www.dol.gov/ebsa/faqs/faq\\_compliance\\_cobra.html](http://www.dol.gov/ebsa/faqs/faq_compliance_cobra.html)

**IRS Information:** <http://www.irs.gov/newsroom/article/0,,id=204505,00.html>

Q and A for Employers - <http://www.irs.gov/newsroom/article/0,,id=204708,00.html>

Revised 941 form - <http://www.irs.gov/pub/irs-pdf/f941.pdf>

**Department of Health and Human Services:**

<http://www.cms.hhs.gov/COBRAContinuationofCov/>