



QUICK FACTS

The American Recovery and Reinvestment Act (ARRA) and COBRA Continuation Payments

The American Recovery and Reinvestment Act (ARRA) provides for premium reductions and additional election opportunities for health benefits under the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). For ADAPs whose program includes paying COBRA premiums for program enrollees, this premium reduction can provide important cost savings. Listed below are some important facts about the premium reduction as well as additional resources if you need more information.

WHAT IS THE COBRA CONTINUATION SUBSIDY IN THE ARRA?

- A 65 percent reduction in COBRA premium costs for eligible individuals, effective the first premium payment after February 17, 2009.
- Employers receive a tax credit on the premium reduction on certain employer taxes.

WHO IS ELIGIBLE?

- Any employee or a member of his/her family whose employment was involuntarily terminated during the period from September 1, 2008 through December 31, 2009.
- COBRA eligible employees and/or family members who did not elect COBRA coverage when first offered but whose COBRA qualifying event occurred within the specified time frame.
- COBRA eligible employees and/or family members who remain eligible for COBRA but are no longer enrolled in because they were unable to pay the premiums.

WHO IS NOT ELIGIBLE?

- Individuals whose COBRA benefits expired prior to September 1, 2008.
- Individuals who left employment voluntarily (e.g., resigned, quit).
- Individuals who become eligible for Medicare or another group health plan (plan provided through a new employer plan or spouse's employer) during the COBRA benefit period.

HOW LONG WILL THE PREMIUM REDUCTION LAST:

- The law was signed February 17, 2009 and requires eligibility for the COBRA continuation subsidy end December 31, 2009.

- No eligible applicant can receive more than nine months of the premium reduction and all reductions end December 31, 2009.

HOW DOES AN ELIGIBLE INDIVIDUAL ACCESS THE SUBSIDY?

- Eligible applicants should receive written notification regarding COBRA benefits expansion and premium reduction from their employer and/or the health plan administrator.

WHAT DOES MY ADAP INSURANCE CONTINUATION PROGRAM NEED TO DO TO ACCESS THIS BENEFIT FOR COBRA ELIGIBLE CLIENTS?

- If ADAP pays COBRA premiums, identify individuals who have been involuntarily terminated from their jobs during the specified time frame.
- Look for COBRA statements that change the premium payment amount or ask participants to provide any change notices received.
- Add a date field to the COBRA coverage system to assure that when the nine month period of premium reduction is complete, the client returns to the full payment amount.

WHERE CAN I GET ADDITIONAL INFORMATION ABOUT THE COBRA CONTINUATION SUBSIDY?

- Department of Labor -
<http://www.dol.gov/ebsa/pdf/fsCOBRApremiumreduction.pdf>
<http://www.dol.gov/ebsa/faqs/faq-cobra-premiumreductionEE.html>
- Kaiser Family Foundation –
<http://www.kff.org/uninsured/upload/7875.pdf>
- Center for Medicare Advocacy, Inc.
http://www.medicareadvocacy.org/Reform_09_02.19.ARRAProvisions1.htm
- Families USA -
<http://www.familiesusa.org/economic-recovery.html>