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Benefits Spotlight: American Recovery and Reinvestment Act (ARRA) COBRA Subsidy

On February 17, 2009, President Obama signed into law a stimulus bill (now known as the American Recovery and Reinvestment Act (ARRA) of 2009). ARRA has many sweeping changes to the COBRA Consolidated Omnibus Reconciliation Act legislation.

Below is a summary of the legislation that will apply to all qualified beneficiaries who are involuntarily terminated from employment between September 1, 2008 through December 31, 2009. You are receiving this notice as part of Peralta's compliance efforts and it is our commitment to keep you informed of legislative updates. Enclosed with this mailing are the *COBRA General Notice, Commonly Asked Questions, COBRA Plan Administrator Information*.

Summary of Legislative Changes

1. The federal government will pay 65% of premiums for people eligible for COBRA due to an involuntary job loss between September 1, 2008 through December 31, 2009.
2. Subsidy-eligible employees and eligible family members must pay 35% of the COBRA premium to qualify. Those affected by retroactive eligibility will be contacted directly.
3. Those with an adjusted gross income of \$125,000 (\$250,000 for joint tax filers) or more will have to include the subsidy value in their taxable income.
4. Employers may (but are not required to) allow eligible terminated employees to switch coverage that costs less than the coverage they had before their job loss. Individuals will have 90 days to select the coverage should employers elect to exercise this optional offering. Peralta is extending this option to subsidy-eligible individuals. Plan changes will be permitted from CoreSource to Kaiser but not Kaiser to CoreSource; Delta to UHC Dental, but not UHC Dental to Delta Dental.
5. Waives the applicability of a pre-existing condition limitation resulting from a 63 day (or 180 day if company is headquartered in California) gap in coverage for individuals who take advantage of the second election period.
6. The premium subsidy will be available immediately and will last for up to nine months (subsidy will end on the earlier of the date the individual becomes **ELIGIBLE** for coverage under another group health plan or Medicare.)
7. Subsidy eligible individuals who did not elect COBRA before the law's enactment must be given a special COBRA election period beginning February 17, 2009 and ending 60 days after the date of the new special election notice. Coverage for persons making a special COBRA election would begin no earlier than February 17, 2009, not on the date of the job loss.
8. A qualified beneficiary who requests treatment under a plan as a subsidy eligible individual and is denied that benefit will have a right to an expedited appeal directly to the Department of Labor and Treasury. By law, these departments will make a determination of eligibility within 15 business days.

While this legislation is new and many scenarios are possible, you are encouraged to visit the Department of Labor website at www.dol.gov for the most recent updates. DOL Notice 2009-27 contains comprehensive Q & A's as addressed under the legislation.

You are receiving this notice as part of the federal notification requirements to benefit-eligible employees and retirees.

COBRA Background

Under the Consolidated Omnibus Reconciliation Act of 1986, employees and eligible dependents who lose group insurance coverage are eligible to continue medical and dental insurance at their expense when they incur a qualifying event. More details are found in the General COBRA Notice.

Important Resources & web links

Internal Revenue Service

- [Premium assistance for COBRA Benefits Notice 2009 27](#)
Or <http://www.irs.gov/pub/irs-drop/n-09-27.pdf>

Department of Labor

- [DOL Website for more background, eligibility information & FAQ's](#) or <http://www.dol.gov/ebsa/cobra.html>
- [Subsidy Appeal's: call 866 444 3272](#) at the Department of Labor/Department of Health & Human Services for instructions or <http://www.dol.gov/ebsa/subsidydenialreview.html>

Peralta

- [Subsidy Application](#)
- [Initial COBRA General Announcement](#)
- <http://www.peralta.pswbenefits.net/COBRAInitialNotification/tabid/105/Default.aspx>

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Jennifer Benford Seibert
District Benefits Coordinator
510 466-7229

PSW Benefits Resources (Broker)
877 866 2623

CHECK OUT YOUR BENEFITS INFORMATION CENTER (BIC)!

To learn more about your District-sponsored benefit plans, please visit your Benefit Information Center (BIC) website:

www.peralta.pswbenefits.net

You may be eligible for the ARRA Subsidy Program if you:

1. Experience involuntary termination between September 1, 2008 & December 31, 2009 (ie, layoff, not passing probation)
2. Elect COBRA continuation coverage
3. Apply for subsidy

Commonly Asked Questions for those possibly eligible for COBRA Premium subsidy

1. What benefits are covered under the stimulus?	Medical, dental and vision. Medical Expense Reimbursement Accounts under IRS Code 125 would not be eligible for the subsidy.
2. Must the applicant enroll in both medical and dental plans?	No, benefit elections are mutually exclusive. One can elect medical, but not dental or dental and not medical or both.
3. Is enrollment for the subsidy program automatic?	No, the cobra participant must positively elect.
4. When will the Subsidy Application and or/ second chance COBRA election forms be sent?	These notices were mailed during the month of April to those who lost medical or dental coverage after September 1, 2009.
5. When is the Subsidy Application and/or COBRA second chance COBRA Election forms due date?	<ul style="list-style-type: none"> • Premiums are due within 45 days of the election. • Eligible individuals who are electing the subsidy at the same time he/she is making his/her initial election also are required to pay premiums within 45 days of the election. • Individuals already paying COBRA premiums and who elect and are approved for the subsidy coverage may pay the 35% amount with the next month's payment.
6. What happens if the applicant misses the election deadline?	Forms received after the 45-day election period will not be accepted and will be returned. There is no grace period on the second election.
7. What happens if the coverage is cancelled due to non payment or late payment?	Payments are due by the first of the month in advance of the following month's coverage. Payments received after that date will be returned and coverage cancelled retroactive to the date of last payment.
8. Does subsidy apply to domestic partners?	No. The federal subsidy does not subsidize same sex or opposite sex domestic partners. However, domestic partners can enroll in the non-subsidized COBRA plan and continue making payments accordingly.
9. Does the premium reduction or buy-down options apply to surviving spouses of Peralta retirees?	No. Death is not a qualifying event for the purpose of reduction in premiums. Surviving spouses of Peralta retirees can change medical plan enrollment if enrolled in Kaiser and subsequently move out of the service area.
10. What about the pre-existing condition exclusion for someone who is eligible but has had a lapse in coverage since September 1, 2008?	The ARRA waives the applicability of a pre-existing limitation resulting from a 63-day break gap in coverage for individuals who take advantage of the second election period.
11. What are the COBRA Rates?	Your COBRA rates are the rates that you are currently paying based on the selected coverage level. If subsidy-eligible, multiply the current rate by .35. The total will be the new COBRA payment for up to nine months (subject to your continuation of eligibility for government subsidy).
12. How long does the subsidy last?	The subsidy will end upon the earlier of: 1) failure to pay the 35% COBRA payment on a timely basis (first day of the month with a 30 day grace period); 2) becoming ELIGIBLE for other group coverage or Medicare; 3) the end of nine months of subsidy; or 4) the end of the maximum period of coverage as measured from date of original loss of coverage.

PCCD COBRA Plan Administrators (4/09)-Subject to change

Benefit Plan	COBRA Administrator	COBRA Contact Telephone number
Kaiser	Kaiser Permanente (payment) Benefit Dynamics (notices)	800.464.4000 925.956.0505
CoreSource	CoreSource (pymts & notices)	866.280.4120
United HealthCare Dental	Benefit Dynamics (payments & notices)	925.956.0505
Delta Dental	Benefit Dynamics (payments & notices)	925.956.0505

CHECK OUT YOUR BENEFITS INFORMATION CENT

Benefit Information Center (BIC) website:

www.peralta.pswbenefits.net