



BURNHAM BENEFITS
INSURANCE SERVICES

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COBRA Subsidy May Be Extended

The first wave of participants eligible for COBRA and state continuation subsidies are reaching the end of their nine-month subsidy period

Lawmakers have indicated that they are interested in extending the COBRA Subsidy program that was enacted in February as part of the American Recovery and Reinvestment Act of 2009 (ARRA). It is unclear whether either of these bills can be added to legislation that will be enacted prior to the end of the year. There is discussion about extending the period of eligibility beyond December 31, 2009, as well as expanding the nine-month period of the subsidy.

ARRA requires that group health plans provide certain notices to plan participants who may be eligible for this COBRA Subsidy. COBRA Administrators and Employers who self administer COBRA are faced with certain choices that must be made before the end of the year. For example, if a participant's subsidized premium was \$105 in December 2009, that premium will increase to \$300 for January 2010. This is a significant increase and may be unexpected for some participants who might have lost track of their nine-month end date.

As a result, employers and group administrators could experience:

- An increase in calls from impacted participants expressing concern with their ability to pay the increased premiums
- A possible increase in member terminations due to non-payment of increased premiums

Proposed Legislation May Have Retroactive Extensions

Two bills were introduced in the House of Representatives, and one bill was introduced in the Senate. Proposed legislation being discussed includes a retroactive extension of the nine-month maximum subsidy period. If Congress passes this legislation, COBRA Administrators that charged the full amount of the premium to their participants in January will have to issue refund checks and/or will have to adjust future COBRA premiums to offset earlier overpayments.

Loss of COBRA Subsidy Coverage on December 31, 2009

Unfortunately, the economy is still struggling and involuntary terminations are continuing. If the subsidy program is not extended, any individuals who are involuntarily terminated in December of 2009, and who do not become eligible for COBRA until after January 1, 2010, will *not* be eligible for the COBRA Subsidy. COBRA Administrators and Employers need to decide how they want to address the subsidy based on current law.

The Department of Labor has issued Frequently Asked Questions (FAQs) addressing this issue. Please visit the following link for further information: <http://www.dol.gov/ebsa/faqs/faq-cobra-arr.html#>

Please contact your Burnham Benefits representative with any questions.

Source: <http://www.seyfarth.com>



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