



HUMAN RESOURCES SPECIAL ALERT

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IMMEDIATE ACTION REQUIRED:

The American Recovery and Reinvestment Act of 2009 contains a provision that expands the eligibility for COBRA Continuation of Benefits. This law was enacted effective February 17, 2009. *Even if you do not have enough employees to qualify for participation in COBRA, many states have a State Continuation Program, which means you MUST comply with these requirements.*

This legislation requires employers to act immediately. Below are the actions needed by employers who offer a health benefit to employees. If you do not offer any form of benefit plan to your employees, there are no requirements for your company.

1. Identify all employees terminated from employment beginning September 1, 2008 through now. (This will apply to all involuntarily terminated employees terminated through December 31, 2009.) Identify those employees who were *involuntarily terminated* from employment.
2. Send a letter to each affected employee informing them of their special eligibility to continue benefits or enroll in benefits as a result of this legislation. Benefits under this law are for a maximum of 9 months.
 - a. Notice must be sent out immediately.
 - b. Eligible employees must request coverage within 60 days of receipt of notice.
 - c. Employees and eligible dependents may elect coverage, even if they declined earlier.
 - d. If COBRA, all components of plan except FSAs are eligible.
 - e. If State Continuation, only medical benefits are applicable.
 - f. Eligible employees have a maximum of 90 days from receipt of the notice to make an election.
3. Employees will contribute a maximum of 35% of the total cost of the elected benefits. Employers will contribute 65% of the total cost of the elected premium. *Employers will be reimbursed for these dollars through credits to the Social Security and Medicare taxes.*
4. Eligible employees who have been on COBRA or State Continuation beginning on or after September 1, 2008 may receive a reimbursement for all but their 35% maximum contribution to the premiums, beginning February 17, 2009 (or March 1, 2009 if your plan runs on the calendar month). Depending on the amount due to the employee, they may receive a credit for future premiums or a cash refund that must be made within 60 days.
5. If contributions to premiums are part of a severance agreement, the 35% employee contribution must be recalculated including the agreed amount.
6. The subsidy is not available to employees with adjusted gross incomes of \$125K - \$145K for single filers and \$250K - \$290K for joint filers.

This is fairly complex legislation and there are a number of exceptions and more detail to the above brief summary. Please do not hesitate to contact The Hopkins Group if you need assistance in meeting these new requirements.

To view the actual legislation: <http://thomas.loc.gov/cgi-bin/bdquery/z?d111:h.r.00001>

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