

COBRA Premium Subsidy

(Amended April 2010 - For details or to stay informed of future extensions please consult your tax attorney, financial adviser or www.dol.gov/cobra/)

Under the American Recovery and Reinvestment Act of 2009 (ARRA), certain individuals who are eligible for COBRA continuation health coverage, or similar coverage under state law, may receive a subsidy for 65 percent of the premium. These individuals are required to pay only 35 percent of the premium.

The subsidy applies to large group medical and dental plans covered by COBRA, federal and state government plans, and small employer plans of less than 20 full-time employees not covered by COBRA, but may be covered by comparable state laws. For groups of less than 20 full-time employees, check with your state's Department of Insurance to determine whether it has a state continuation of coverage provision.

Eligibility: Employees who are involuntarily terminated (except for gross misconduct) between September 1, 2008 and **May 31, 2010** (extended from March 31, 2010), and spouses and dependents associated with eligible employees, can receive the premium subsidy if they elect continuation coverage.

Duration: The subsidy continues until the earlier of: 1) 15 months, 2) the date the individual becomes eligible for coverage under another group dental plan, or 3) the date COBRA coverage would otherwise end. Individuals must notify the plan when they become eligible for other coverage or financial penalties will be incurred.

NEW! Reduced Hours: Individuals who experienced a qualifying event that reduces hours of employment on or after September 1, 2008 and later are involuntarily terminated from employment as defined by ARRA between March 2 and May 31, 2010, are eligible for the subsidy if they are otherwise an assistance-eligible individual (AEI). This applies to coverage beginning after March 2, 2010. For example, if the COBRA coverage begins March 1, 2010, the first subsidized COBRA coverage period would begin April 1, 2010.

These individuals who did not elect COBRA coverage or elected and subsequently lost COBRA coverage are entitled to a new COBRA election period if they subsequently were involuntarily terminated from employment on or after March 2 and on or before May 31, 2010.

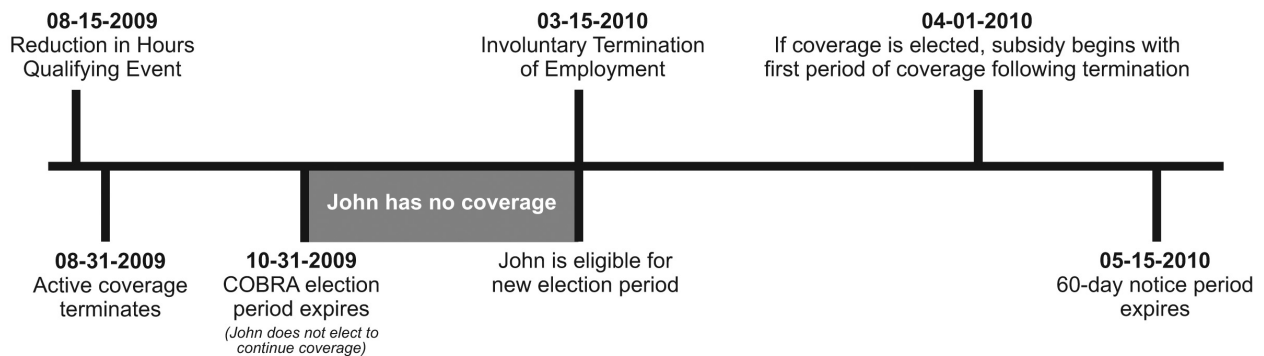
Although the involuntary termination of employment is treated as the qualifying event that triggers eligibility for the subsidy, the applicable COBRA period is measured from the date of the original qualifying event (the reduced hours of employment).

Please note:

- This new rule does not provide a new COBRA period to AEIs whose COBRA period has already expired simply because they are involuntarily terminated from employment between March 2 and May 31, 2010.
- AEIs are not required to pay for any period of coverage between the date of the reduced hours of employment and the first period of COBRA continuation coverage following the subsequent involuntary termination of employment. Any break in coverage between the reduced hours and the involuntary termination of employment is not treated as a "break in coverage" for HIPAA portability purposes.
- Employer must provide employee a notice describing these new rules within 60 days of involuntary termination.

For example:

- John Doe experienced a qualifying event that reduced his hours on August 15, 2009. He no longer works enough hours to be eligible for coverage under the employer’s group dental plan.
- The dental plan allows him to continue coverage until the end of the month (August 31, 2009).
- His employer gave him the COBRA election notice on September 1, 2009, giving him 60 days to sign up for COBRA. He did not elect COBRA continuation coverage.
- John is involuntarily terminated from employment on March 15, 2010, making him now eligible for a new election period.
- John’s employer must provide notice of this new election period within 60 days of his termination of employment.
- He now has 60 days to sign up for COBRA, beginning on the date this notice is provided.
- If he elects COBRA coverage, his 18-month coverage period begins on the date of the original qualifying event (August 15, 2009) and expires on February 28, 2011.



Payment and Tax Implications:

For groups of 20 or more full-time employees – Delta Dental of North Carolina will bill the employer for 100 percent of the premium; the employer is responsible for billing the former employee 35 percent and applying for the 65 percent subsidy. The employer may recover the subsidy by taking it as a credit on its quarterly employment tax return. Credit is only available after receipt of the 35 percent premium payment from the individual. Employers and plan administrators may be required to report subsidies to the IRS and to individuals who received them.

For groups of less than 20 full-time employees – Delta Dental of North Carolina will bill the employer 35 percent of the premium. Delta Dental will then apply for the 65 percent subsidy. Each time you have an employee who qualifies for the subsidy, you must notify Delta Dental by submitting a “COBRA Election Form for ARRA.” This form is available at www.deltadentalnc.org; click on Employers > Forms & Publications. Failure to submit the form may cause processing delays and inaccurate billing.

Please note that there are no changes to COBRA eligibility, election, payment processing and reporting.