

COMPLIANCE AND RISK MANAGEMENT

COBRA Premium Subsidy Under the ARRA

The economic stimulus bill passed by Congress, the American Recovery and Reinvestment Act of ~~2009~~[2009, as amended](#) (“ARRA”), contained a significant modification of the Consolidated Omnibus Budget Reconciliation Act of 1985 continuation of health coverage requirements (“COBRA”), and was generally effective February 17, 2009. Given the complexity of ARRA’s COBRA provisions as they apply to the Trust and Everett Public Schools (“District”), the Trustees of the Trust wish to outline the Trust’s ARRA compliance policy so that procedures can be adopted and implemented, ensuring the Trust’s and District’s compliance with ARRA’s COBRA provisions.

ARRA modified the COBRA continuation coverage requirements to provide premium assistance, in the form of a subsidy, and a second election opportunity for “assistance eligible individuals” (and their spouses and dependents) for a period of up to ~~nine~~[fifteen \(15\)](#) months. “Assistance eligible individuals” (“AEI”) are [\(1\) those who were involuntarily terminated from their jobs between September 1, 2008, and ~~December 31, 2009~~, May 31, 2010; or \(2\) those who lost coverage because of a reduction in hours at any time between September 1, 2008, and May 31, 2010, and were subsequently involuntarily terminated between March 2, 2010, and May 31, 2010;](#) and who are otherwise eligible for COBRA continuation coverage.

AEIs are deemed to have paid their COBRA premium if they pay thirty-five (35) percent of COBRA premiums that are otherwise charged to COBRA qualified beneficiaries. Sixty-five (65) percent of what the AEI would otherwise be required to pay is subsidized by the federal government in the form of a payroll tax credit provided to the employer maintaining the plan. Because the Trust’s health coverage is subject to the COBRA continuation provisions in the Internal Revenue Code of 1986 and the Public Health Service Act, and because some of the coverage is not provided by insurance, the federal subsidy is paid to the District.

AEIs will be allowed to enroll in a health coverage option that is different than the one such individual was enrolled in at the time of the individual’s qualifying event.

The District must report on the amounts it receives from AEIs on Internal Revenue Service (“IRS”) Form 941. The District must pay the Trust an amount equal to sixty-five (65) percent of the COBRA premium on or before the date it files its IRS Form 941 in order to take the credit on IRS Form 941.

Legal References: American Recovery and Reinvestment Act of 2009 (HR-1) Title III –
 Premium Assistance for COBRA Benefits
 [Department of Defense Appropriations Act of 2010 \(H.R. 3326\)](#)
 [Temporary Extensions Act of 2010 \(H.R. 4691\)](#)
 [Continuing Extension Act of 2010 \(H.R. 4851\)](#)
 Internal Revenue Service Notice 2009-27

Internal Revenue Service Form 941

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