



James E. Deyo III, MBA, CCA
President/CEO

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COBRA Subsidy Extended

President Obama signed the Department of Defense Appropriations Act of 2010 (H.R. 3326) which includes a provision to extend the current COBRA Subsidy that is part of the American Recovery and Reinvestment Act of 2009 (ARRA). As you know, the bill provides a 65% employer subsidy (recouped through payroll taxes) to COBRA premiums for individuals who experienced a Qualifying Event due to involuntary termination of employment between September 1, 2008 and December 31, 2009. This subsidy was to be provided for a maximum of 9 months.

The legislation enacted on December 19, 2009 extends the eligibility period for those experiencing a Qualifying Event due to an involuntary termination from December 31, 2009 to February 28, 2010. The law includes a clarifying provision that corrects a previous issue which required the COBRA start date occur by the end of the eligibility period. This meant that under previous law the majority of eligible individuals would only be qualified to receive the subsidy if their Qualifying Event occurred by November 30, 2009. The new legislation allows for Qualifying Events which occur by February 28, 2010 without reference to the actual COBRA start date.

A significant expansion of the bill increases the maximum subsidy period from 9 months to 15 months. This extension applies to all of those currently receiving the subsidy, those whose subsidy expired on November 30, 2009, and Qualifying Events due to involuntary termination occurring by February 28, 2010. Notices advising individuals, who were COBRA participants on or after November 1, 2009 or individuals who experienced a qualifying event on or after November 1, 2009, will be mailed by COBRA Plus to inform them of the 6 month extension to 15 months. The law stipulates this notice must be accomplished by February 17, 2010. We expect our software will be modified within the next 2 weeks to accomplish this and we should be complete well before the deadline. Our ARRA Snap-On letter outlining the new provisions to new Qualifying Event Notices have been received and currently in-use.

Those individuals who dropped their coverage on December 1, 2009 due to increased cost resulting from the loss of the subsidy will be provided a 60 day period, starting from enactment, or if later, 30 days from mailing of the notice above to bring their payments current and reinstate coverage.

This is the first piece of legislation passed by Congress, other pending actions being considered are:

- Extending the Qualifying Event eligibility period from February 28, 2010 to June 30, 2010 (passed by the House, awaiting Senate action)
- Extending COBRA from 18 to 24 months
- Extending subsidy eligibility to those experiencing loss of coverage due to reduction of hours
- Increasing the subsidy from 65% to 75%
- Extending COBRA until Health Care Reform Exchanges are available in 2013