

## **COBRA premium help is on its way**

*Summary of Detroit Free Press article – April 2, 2009*

Consolidated Omnibus Budget Reconciliation Act (COBRA) allows laid-off employees and their dependents to purchase workplace coverage they had – usually for 18 months, but sometimes for 36 months.

The American Recovery and Reinvestment Act (ARRA) provides a 65% subsidy for nine months to eligible workers laid off between Sept. 1, 2008, and Dec. 31, 2009. Subsidies are allowed even if employees did not elect COBRA coverage earlier.

COBRA eligibility:

- Employees who worked at a company with 20 or more employees. Also, spouses and dependents of these employees, as well as contractors, board members or others covered by a company health plan. Federal, state and local governments and self-funded plans are also included.
- Part- and full-time workers and people who were laid off or fired, except for gross misconduct.

To be eligible for the subsidy, individuals must:

- Have been enrolled in a company health plan when they were separated.
- Have been involuntarily terminated – or have had their hours reduced so that they stopped working.
- Not be eligible for a spouse's plan, Medicare, or another health plan.
- Note: Individuals with income of \$125,000 or families with income of \$250,000 will be taxed more, which will counteract the benefits of the subsidy.

The subsidies took effect in March, but the subsidies will not likely show up until May. Companies were to have notified eligible employees and their dependents by April 18, 2009, by first-class mail.

With the subsidy, employees will pay 35% of the monthly premium and the federal government reimburses the company or the health plan with the 65%. Individuals have 45 days to pay the first premium following their COBRA election.