



DECEMBER 2009
SPECTRA INSIGHT



Valuable Links:

- United States Department of Labor web site.
- www.dol.gov/ebsa/cobra.html
- IRS.gov web site.
- www.irs.gov/newsroom/article/0,,id=204505,00.html



Important COBRA Notice!

December Terminations May Not Receive COBRA ARRA Subsidy

In a recent development, the Department of Labor and Internal Revenue Service have interpreted the American Recovery and Reinvestment Act of 2009 (ARRA) to read that employees with a COBRA start date of January 1, 2010 (or later) will not be eligible for reduced/subsidized rates. Why is this an important interpretation? Group health plans that provide coverage through the end of the month of termination (in this case December) have a COBRA start date of January 1, 2010.

It has been thought (because that is the way it is stated in the DOL Qualifying Event Letter) that employees who experience an “involuntary termination” between September 1, 2008 and December 31, 2009 would be eligible for the 65% government subsidy. The IRS and DOL point to IRS Notice 2009-27 Question 13 as written documentation to their interpretation. It reads:

“Q-13. If an individual’s involuntary termination occurs no later than December 31, 2009, but the loss of coverage resulting in eligibility for COBRA continuation coverage occurs after December 31, 2009, is the individual an assistance eligible individual?”

“A-13. No. Both the involuntary termination and eligibility for COBRA continuation coverage must occur during the period from September 1, 2008, through December 31, 2009. If the loss of coverage is after December 31, 2009, the individual cannot become an assistance eligible individual.”

Please note that this is the correct information based on the current law; however, there is pending legislation that could extend the ARRA premium assistance.

If you have any questions please contact your Spectra Management Customer Service Representative.