



Stowe Associates
Employee Benefits and HR Compliance

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*Learn about the suite of services available to our Group Insurance Clients at no additional cost.
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JANUARY 2010

During this current economic downturn and resulting budget cuts many employers are having difficulty funding all of the human resource functions of their business. **Stowe Associates** provides many compliance assistance services at **no cost**. We can help you. One of our highly trained representatives will be glad to discuss how your company can stretch its budget dollars by taking advantage of these services. To learn more, please contact Josh Dunn at (770) 451-6222 ext. 5202 or jdunn@stoweassociates.com.



WORKSHOP ANNOUNCEMENT

DATE: February 18, 2010

TOPICS: Employee Manual
Section 125
USERRA
Sexual Harassment

TIMES: **Section 125, USERRA and Sexual Harassment**
9:00 am—12:00 noon

Employee Manual
1:30 pm—4:30 pm

LOCATION: Cobb Galleria Centre

The Workshop Invitation will be sent out in the next few days. Registration information will be included in the invitation.



Earn HR Credit Hours for Each Session Attended!

Changes Regarding COBRA Continuation Coverage Under ARRA

The American Recovery and Reinvestment Act of 2009 (ARRA), as amended on December 19, 2009 by the Department of Defense Appropriations Act, 2010 (2010 DOD Act) provides for premium reductions for health benefits under the Consolidated Omnibus Budget Reconciliation Act of 1985, commonly called COBRA. Eligible individuals pay only 35 percent of their COBRA premiums and the remaining 65 percent is reimbursed to the coverage provider through a tax credit. To qualify, individuals must experience a COBRA qualifying event that is the involuntary termination of a covered employee's employment. The involuntary termination must occur during the period that began September 1, 2008 and ends on February 28, 2010. The premium reduction applies to periods of health coverage that began on or after February 17, 2009 and lasts for up to 15 months.

Changes Regarding COBRA Continuation Coverage Under ARRA, as amended by the 2010 DOD Act

The 2010 DOD Act extended the COBRA premium reduction eligibility period for two months until February 28, 2010 and increased the maximum period for receiving the subsidy for an additional six months (from nine to 15 months).

In addition, individuals who had reached the end of the reduced premium period before the legislation extended it to 15 months will have an extension of their grace period to pay the reduced premium. To continue their coverage they must pay the 35 percent of premium costs by February 17, 2010, or, if later, 30 days after notice of the extension is provided by their plan administrator.

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Individuals who lost their subsidy and paid the full 100 percent premium in December 2009 should contact their plan administrator or employer sponsoring the plan to discuss a credit for future months of coverage or a reimbursement of the overpayment.

Eligibility for the Premium Reduction: The premium reduction for COBRA continuation coverage is available to "assistance eligible individuals".

An "assistance eligible individual" is the employee or a member of his/her family who:

- has a qualifying event for continuation coverage under COBRA or a State law that provides comparable continuation coverage (for example, so-called "mini-COBRA" laws) that is the employee's involuntary termination at any point from September 1, 2008 through February 28, 2010; and
- elects COBRA coverage timely.

Those who are eligible for other group health coverage (such as a spouse's plan) or Medicare are not eligible for the premium reduction. There is no premium reduction for premiums paid for periods of coverage that began prior to February 17, 2009.

Assistance eligible individuals who pay 35 percent of their COBRA premium are treated as having paid the full amount. The premium reduction (65 percent of the full premium) is reimbursable to the employer, insurer or health plan as a credit against certain employment taxes.

Period of Coverage

The premium reduction applies to periods of coverage beginning on or after February 17, 2009. A period of coverage is a month or shorter period for which the plan charges a COBRA premium. The premium reduction for an individual ends upon eligibility for other group coverage (or Medicare), after 15 months of the reduction, or when the maximum period of COBRA coverage ends, whichever occurs first. Individuals paying reduced COBRA premiums must inform their plans if they become eligible for coverage under another group health plan or Medicare.

Notice Requirements

ARRA, as amended, mandates the provision of certain notices. As part of the COBRA election notice, plan administrators must provide information about the premium reduction to all individuals who have COBRA qualifying events from September 1, 2008 through February 28, 2010.

Plan administrators must also provide notice about the changes made to the premium reduction provisions of ARRA by the 2010 DOD Act to individuals who have already been provided a COBRA election notice (unless the election notice included the updated premium reduction information).

- Individuals who are "assistance eligible individuals" must be provided this notice by February 17, 2010;
- Individuals who experience a termination of employment on or after October 31, 2009 and lose health coverage must be provided this notice within the normal timeframes for providing continuation coverage notices; and
- Individuals who are in a "transition period" (a period that begins immediately after the end of the nine months of premium reduction in effect under ARRA before the amendments made by the 2010 DOD Act, as long as those nine months ended before December 19, 2009 and the premium reduction provisions of the 2010 DOD Act would apply due to the extension from nine to 15 months) must be provided this notice within 60 days of the first day of the transition period.

This fact sheet has been developed by the U.S. Department of Labor, Employee Benefits Security Administration, Washington, DC 20210. It will be made available in alternate formats upon request: Voice phone: 202.693.8664; TTY: 202.501.3911. In addition, the information in this fact sheet constitutes a small entity compliance guide for purposes of the Small Business Regulatory Enforcement Fairness Act of 1996.

If you have questions or need assistance, please contact jdunn@stoweassociates.com.

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