



AMERICAN BENEFITS
COUNCIL

Revised February 17, 2009

SUMMARY OF KEY COBRA PROVISIONS
IN THE AMERICAN RECOVERY AND REINVESTMENT ACT (H.R. 1)

Issue	COBRA Health Care Provisions
1. Qualifying event for premium subsidy	Loss of health coverage due to involuntary loss of employment between September 1, 2008, and December 31, 2009.
2. Amount of subsidy	Individual pays 35% of COBRA premium and 65% of premium is subsidized by employer (which the employer may then claim as a credit against wage withholdings and payroll taxes). The subsidy phases out for taxpayers with modified adjusted gross income exceeding \$145,000 (or \$290,000 for joint filers) and is reduced proportionately for taxpayers with adjusted gross income between \$125,000 and \$145,000 (\$250,000 and \$290,000 for joint filers).
3. Duration of subsidized COBRA coverage	Maximum of 9 months subsidy for COBRA coverage. Subsidy ends sooner if individual becomes <i>eligible</i> for coverage under another group health plan or Medicare. Total of 18 months of COBRA coverage is available in most cases, consistent with current law.
4. Effective date of subsidy	Subsidy effective for “any premium for a period of coverage beginning on or after date of enactment.” Based on the bill being signed February 17, 2009, the subsidy is effective as of March 1, 2009, for periods of coverage billed on a monthly basis. Includes a 60-day special rule for refunds or credits to COBRA beneficiaries for any premium overpayments that occur after March 1, 2009.
5. Special election period	60-day special election required for those eligible for the subsidy if they had not previously elected COBRA. Special election opportunity also applies to a qualified beneficiary who elected COBRA coverage but who is no longer enrolled on the date of enactment.

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6. Option to change coverage	At the employer’s option, eligible individuals may be allowed to apply the COBRA subsidy to any health plan option offered by their employer to active employees, provided that the coverage has the same or lower premium as the individual’s continuation coverage.
7. Payroll tax credit	Employers may claim a tax credit against periodic deposits for wage withholdings and FICA payroll taxes for the portion of COBRA premium not paid by individual. If the employer’s claims for COBRA subsidy payments exceed the amount of wage withholdings or FICA payroll taxes reported by the employer, Treasury is directed to reimburse the employer directly for the excess amount. Entities entitled to reimbursement must report certain information to the Treasury Department, including attestations of involuntary termination for each covered employee and amounts of payroll taxes offset for the reporting period and estimated offsets for the subsequent reporting period.
8. Extended COBRA coverage for certain individuals	<i>No such provision was included in the final bill.</i> Under the original House of Representatives measure, individuals 55 or older <i>or</i> with 10 or more years of service with an employer could remain on COBRA coverage until covered under Medicare or another employer group health plan.