



## **New rules provide government reimbursement for 65 percent of COBRA premiums**

The American Recovery and Reinvestment Act of 2009 (ARRA) provides for premium reductions and additional election opportunities for health benefits under COBRA. The new rules, along with extended unemployment benefits and other stimulus provisions, are meant to help recently unemployed weather the challenging economy.

According to the Department of Labor:

- 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. The premium reduction applies to periods of health coverage beginning on or after February 17, 2009 and lasts for up to nine months for those eligible for COBRA during the period beginning September 1, 2008 and ending December 31, 2009 due to an involuntary termination of employment that occurred during that period.

**Notice that the employer must pay the entire COBRA premium, with the employee contributing 35 percent. The employer is responsible for getting reimbursed by the federal government by claiming a tax credit on the Form 941 - Employers Quarterly Federal Tax Return.**

**Form 941 has been changed to accommodate the new COBRA subsidy data.** We added these form changes to Sage Abra in the Q1 2009 tax update.

Additionally, employers must provide notice to eligible employees who were terminated between September 1, 2008 and February 16, 2009 who are not currently on COBRA benefits. These employees can re-elect to take COBRA benefits. Your company should have provided written notice to these employees by April 18, 2009. Employees have 60 days to elect to take the coverage. Again from the DOL Web site:

- Qualified beneficiaries whose qualifying event was an involuntary termination of employment during the period from September 1, 2008 through February 16, 2009 who did not elect COBRA when it was first offered OR who did elect COBRA but are no longer enrolled (for example, those who dropped COBRA coverage because they were unable to continue paying the premium) have a new, second election opportunity.

As with any government program, there are compliance considerations as well as paperwork involved. To help educate employers about the new rule, the Department of Labor has presented two compliance Webcasts. Both were recorded and archived. You can access them, after registration, at the DOL Web site:

- Webcast 1: [New COBRA Provisions in the American Recovery and Reinvestment Act of 2009 Compliance Assistance Webcast - Archived Webcast](#)
- Webcast 2: [COBRA under the American Recovery and Reinvestment Act of 2009 – Second Compliance Assistance Webcast Archive](#)

You can also attend regional seminars and workshops presented by the Department of Labor in conjunction with state insurance agencies. These workshops are scheduled in the following cities:

- [Birmingham, AL](#)
- [Boston, MA](#)
- [Fargo, ND](#)
- [Newark, NJ](#)
- [Overland Park, KS](#)
- [Portland, OR](#)
- [St Louis, MO](#)

Finally, you may wish to check out these online resources for more information about the COBRA Health Insurance Continuation Premium Subsidy:

IRS: Info and Q&A [www.irs.gov/newsroom/article/0,,id=204505,00.html](http://www.irs.gov/newsroom/article/0,,id=204505,00.html)

Department of Labor: FAQs, Fact Sheets, and Information for Employers and Employees [www.dol.gov/ebsa/cobra.html](http://www.dol.gov/ebsa/cobra.html)

Human Resource Executive: "Avoiding COBRA's Bite"

[www.hreonline.com/HRE/story.jsp?storyId=190964464&query=COBRA](http://www.hreonline.com/HRE/story.jsp?storyId=190964464&query=COBRA)

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