

# IMPORTANT INFORMATION REQUIRING YOUR IMMEDIATE ACTION

**Please read this information and  
return to CBIA within 3 business days of your receipt.**

The recent Federal Stimulus Package contains **MAJOR CHANGES\*** to COBRA (including State Continuation) that require immediate action from all employers who provide health and/or dental insurance through the workplace. These changes are described on the reverse side of this form. Failure to comply with the new COBRA changes may result in your being subject to ERISA penalties of up to \$110 per day, per violation, plus IRS penalties of \$100 per day, per violation. **As a result, you must respond to the following 3 questions.**

1. **List the name(s) of all employees** who were **involuntarily terminated\*\*** on or after September 1, 2008 who were enrolled in your group medical and/or dental plan on the date of their termination.

NAME (please print)

SSN

DATE OF INVOLUNTARY TERM

2. Are you currently paying any severance benefits that cover group health and/or dental premium for any of the employees listed above? Y / N If so, please provide details for each applicable employee.

3. **Size of your company** – Please provide the number of employees that worked for your company on more than 50% of the typical business days during the previous calendar year.

Each part-time employee counts as a fraction of an employee, with the fraction equal to the number of hours that the part-time employee works for the employer divided by the number of hours that an employee must work in order to be considered full-time. (For example, if an employee works 10 hours weekly for an employer who defines “full-time” as 30 hours weekly, the employee represents 33% of a full-time employee.)

Number of employees: \_\_\_\_\_

Employer Name: \_\_\_\_\_ Group Number: \_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**Please fax this completed form back to CBIA Insurance Operations at (860) 278-0883 or mail to the following address by March 23, 2009: CBIA Insurance Operations – COBRA, 350 Church Street, Hartford, CT 06103-1126**

## **\*MAJOR CHANGES TO COBRA (AND HOW THEY IMPACT MY COMPANY)**

The recent American Recovery and Reinvestment Act of 2009 ("The Federal Stimulus Package") contains changes that significantly reduce the COBRA premiums paid by certain employees who were involuntarily terminated on or after September 1, 2008 through December 31, 2009 to 35% of the original cost. This premium reduction must be offered to anyone who was involuntarily terminated between September 1, 2008 and December 31, 2009 regardless of whether or not they are currently enrolled on COBRA. These involuntarily terminated employees are described in the Act as **Assistance Eligible Individuals (AEIs)**.

The remainder of the premium (65%) is subsidized by the employer or insurer and reimbursed by the government through the following process, based on employer size.

- Employers with 20 or more employees are required to "front" the remaining 65% subsidy and obtain reimbursement from the government through a payroll tax credit.
- For employers with fewer than 20 employees (subject to State Continuation), the insurer is responsible for providing the 65% subsidy.

### ***Special COBRA Election Opportunity for employers with 20 or more employees:***

Individuals involuntarily terminated 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 because they were unable to continue paying the premium) have a new election opportunity. This election period begins on February 17, 2009 and ends 60 days after the plan provides the required notice. This special election period does not extend the period of COBRA continuation coverage beyond the original maximum period (generally 18 months from the employee's involuntary termination). COBRA coverage elected in this special election period begins with the first period of coverage beginning on or after February 17, 2009.

### ***No Special COBRA Election Opportunity for Employers with fewer than 20 employees!***

The special election period opportunity described above excludes groups with less than 20 employees that are subject to State Continuation law. This exclusion applies to individuals who, following an involuntary termination that occurred on or after September 1, 2008, 1) did not elect continuation coverage between September 1, 2008 and February 17, 2009; 2) had their coverage terminated for non-payment during the period between September 1, 2008 and February 17, 2009; or 3) dropped coverage. These individuals, who would otherwise meet the definition of an "assistance eligible individual" (AEI) under The Stimulus Package, are not eligible for the subsidy under State Continuation law. Those who elected State Continuation coverage during this period and are currently enrolled are eligible for the subsidy effective March 1, 2009, as are those who experience an involuntary termination between February 17, 2009 and December 31, 2009.

Duration of subsidy: The subsidy is available for a maximum period of 9 months beginning March 1, 2009 for all AEIs. Those COBRA eligible AEIs who experienced an involuntary termination between September 1, 2008 and February 17, 2008 (the date the Act was signed into law) are eligible to begin receiving the subsidy on March 1, 2009. All other AEIs (including those subject to State Continuation Law) will be eligible to begin receiving the subsidy beginning on the date of their involuntary termination.

Eligibility for the subsidy will continue until the first of the following events occur:

- Nonpayment of premium by the AEI
- The AEI becomes ELIGIBLE for other group insurance or Medicare
- The conclusion of the nine month subsidy period

If CBIA handles your COBRA administration, these changes will be reflected on the employer and AEI bills.

If you handle your own COBRA administration, you must identify those AEIs to instruct them of their rights regarding the subsidy. In addition, if you have 20 or more employees, you must pay the subsidy for any AEI.

## **\*\* INVOLUNTARY TERMINATION**

Although the Act doesn't define the term "involuntary termination," based on other statutes and interpretations, this term is likely to include layoffs and any other termination that is not for gross misconduct or was not a voluntary quit. Involuntary termination must include actual separation of employment.

For more information, visit [www.CBIA.com/COBRA](http://www.CBIA.com/COBRA)