

WORKFORCE DEVELOPMENT DIVISION
Workforce Policy and Service Delivery Branch
Technical Assistance Bulletin 217

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Subject: COBRA Continuation Coverage Assistance under the American Recovery and Reinvestment Act of 2009

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This Technical Assistance (TA) Bulletin provides Local Workforce Development Boards (Boards) with information on COBRA¹ premium reduction and extended eligibility provisions in the American Recovery and Reinvestment Act (ARRA) of 2009.

Under ARRA, COBRA premium reductions can cut two-thirds of the COBRA health coverage payment for up to nine months for eligible individuals.

This TA Bulletin serves as a reference for Texas Workforce Center staff assisting dislocated workers and employers with ARRA's COBRA-related provisions.

Definitions

COBRA

COBRA gives workers who lose their jobs and related health benefits the right to purchase group health coverage, which is available to former employees under some employers' health plans.

If an employer offers a group health plan, former employees and their families can retain their group health plan for up to 18 months by paying group rates. The COBRA premiums may be higher than what the individual was paying while employed but will generally cost less than private, individual health insurance coverage.

Some individuals do not take advantage of COBRA coverage because the premiums are too high when an individual is unemployed. ARRA changes to COBRA premiums enhance the ability of unemployed individuals to participate in COBRA and maintain health care coverage.

Assistance-Eligible Individual

Under COBRA, an assistance-eligible individual is an employee or a member of the employee's family who:

- is eligible for COBRA as a result of the employee's involuntary termination between September 1, 2008, and February 28, 2010; and

¹ COBRA – Consolidated Omnibus Budget Reconciliation Act of 1985.

- elects COBRA continuation coverage (when first offered or during the additional election period).

Health Coverage Tax Credit

The Health Coverage Tax Credit (HCTC) helps make health insurance more affordable to individuals certified under Trade Adjustment Assistance (TAA), Pension Benefit Guaranty Corporation (PBGC) recipients, and their families by paying 80 percent of health insurance premiums. HCTC is available to eligible individuals:

- monthly as premiums become due; or
- yearly when they file their federal tax return.

Individuals registered for the monthly program receive a monthly invoice from the Internal Revenue Service's (IRS) HCTC Program. An individual pays 20 percent of the premium; HCTC adds 80 percent and then forwards 100 percent of the premium to the individual's health plan.

Individuals registered for the yearly HCTC pay 100 percent of their monthly premiums directly to their health plans. When filing a federal tax return, these individuals submit an IRS Form 8885 – Health Coverage Tax Credit. Once the IRS processes the tax return and Form 8885, individuals receive 80 percent of their premium costs back, either as a tax credit or a refund.

Changes to COBRA under ARRA

ARRA provides COBRA premium reductions for participants as follows:

- Assistance-eligible individuals pay 35 percent of their COBRA premiums, and the remaining 65 percent is reimbursed to the health 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.
- Individuals eligible for Medicare or other group health coverage, such as a spouse's plan or a new employer's plan, are *not* eligible for the premium reduction.

ARRA provides a new opportunity to elect COBRA coverage and take advantage of the premium reduction, if the individual:

- did not elect COBRA coverage when they were originally eligible; or
- dropped coverage between September 1, 2008, and February 28, 2010.

ARRA requires health care plans to notify employees and their families of new rights to coverage and reduced premiums. Dislocated workers and their families have 60 days from receipt of the notice to elect COBRA coverage. ARRA requires that these notices include:

- forms to apply for coverage; and
- the new COBRA election period.

ARRA provides an expedited review process for COBRA coverage applications that have been denied by a private-sector health coverage plan. See www.dol.gov/COBRA for the appeals application form.

For TAA and PBGC recipients, ARRA:

- increases the HCTC credit from 65 percent to 80 percent of the premium amount for coverage months beginning on or after May 1, 2009, and before January 1, 2011; and
- temporarily extends the maximum period of COBRA continuation coverage.

For HCTC, ARRA amends the definition of eligible TAA recipients to include certain TAA recipients who are:

- in breaks from training; or
- receiving unemployment compensation, regardless of whether they have met TAA training requirements.

Boards are encouraged to display COBRA posters in Texas Workforce Centers. Posters are available through www.dol.gov/COBRA.

Resources for Texas Workforce Center staff and the public include the following:

- The Department of Labor's (DOL) Employee Benefits Security Administration (EBSA) hard-copy information, which has been distributed by EBSA directly to Texas Workforce Centers.
- The EBSA Web site at www.dol.gov/COBRA, which contains detailed information in English and Spanish, for both employers and employees, about COBRA and the ARRA changes, including:
 - posters and flyers that may be displayed in Texas Workforce Centers;
 - fact sheets;
 - frequently asked questions (FAQs);
 - required notices;
 - IRS and U.S. Department of Health and Human Services information;
 - the *Guide to Health Benefits Under COBRA*;
 - general COBRA FAQs;
 - video presentation of EBSA's rapid response presentation; and
 - Webcasts and expanded health coverage compliance seminars to assist employers in understanding their new responsibilities.
- EBSA's toll-free telephone number, 1-866-444-3272 or its question page at www.askebsa.dol.gov.
- DOL's Training and Employment Notice No. 14-09, issued November 16, 2009.
- The Texas Workforce Commission's Helpful Information for UI Claimants Web page at http://www.twc.state.tx.us/ui_update.html.

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