



American Recovery and Reinvestment Act Cobra

March 25, 2009

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- **Overview of COBRA under the Stimulus Package**
- **COBRA ARRA Program for Employers**
 - **Eligibility**
 - **Notification requirements**
 - **Coverage**
 - **Subsidy and subsidy recovery process**
 - **Employer and administrator roles**
- **Customer Program Where UnitedHealthcare is Cobra Administrator**
 - **Timeline and Next Steps**
 - **Questions**

American Recovery and Reinvestment Act of 2009

Enacted on February 17, 2009

- **COBRA premium subsidy with a “second chance” election period**
- **Involuntary terminated from employment from 9/1/08 to 12/31/09**
- **Effective 3/1/09 for most plans**
- **All COBRA eligible plans (excludes FSA’s)**
- **Includes plans subject to State Continuation (“mini-COBRA”) if “comparable” to federal COBRA standards**
- **Subsidy of 65% (individual pays 35% of premium)**
- **Subsidy credit against federal payroll and wage taxes**
- **Amended Form 941 with specific reporting requirements**
- **Nine month subsidy period; COBRA duration remains as prior law**
- **Includes Means testing for highly compensated**
- **Includes accelerated appeals through DOL – 15 day determination**

Involuntarily terminated employees

- Date of termination of employment 9/1/08 to 12/31/09
- Spouse and children of involuntarily terminated employees
- Gross Misconduct excluded
- Otherwise COBRA eligible
- Not eligible for group health plan (spouse) or Medicare/Medicaid

Definition of “involuntary termination of employment”

- Termination of employment, not coverage
- “Constructive termination” of employee-employer relationship
- Furloughed employees who are not working and become eligible for COBRA are covered

Eligibility ends

- End of 9 month subsidy period (COBRA coverage continues)
- Individual becomes eligible for group coverage or Medicare
- Individuals who become eligible are obligated to notify employer
- Failure to notify results in penalty to individual

- **ARRA COBRA includes means testing provision**
- **Subsidy starts to phase out for individuals with Adjusted Gross Income (AGI) of \$125,000 for individuals or \$250,000 for joint filers**
- **Subsidy is eliminated at AGI of \$145,000 (individual) and \$290,000 (joint)**
- **Employer will likely report subsidy on individuals W2**
- **Subsidy will be factored into personal income tax with phase out in form of payment back with tax filings**
- **Individuals not limited in claiming subsidy – just have to pay it back if exceed AGI levels**
- **Individuals can waive subsidy as option at time of enrollment**

Second Chance Notifications (Assistance Eligible Individuals (AEI's))

- Individuals with qualifying event as a result of involuntary terminations between 9/1/08 and 2/17/09
 - Did not elect COBRA at time of qualifying event
 - Initially elected COBRA, but let coverage lapse prior to 2/17/09
- Notification includes offer of COBRA at subsidized rate
- Required to be notified by 4/18/09 (within 60 days of 2/17/09)
- Have 60 day election period from date of notice sent
- Model notices from DOL released 3/18/09

General Notification

- Individuals with qualifying event NOT as a result of involuntary termination between 9/1/08 and 2/17/09
- Notice explains ARRA requirements and that they are not eligible for the subsidy based upon requirements on involuntary termination
- Outlines right to appeal (accelerated appeal with DOL with 15 days determination requirement)
- Required to be notified by 4/18/09 (within 60 days of 2/17/09)

- **If elected, coverage is as of 2/17/09 (or March 1 for most plans)**
- **Coverage considered in effect upon receipt of 35% of premium**
- **Coverage is NOT retroactive to the original qualifying event date**
- **COBRA eligibility coverage period (18 months) from original event date**
- **The period coverage was not in effect (9/1/08 to enrolled date) will not count towards the 63 day break-in-coverage rule for pre-existing conditions**

- **For currently enrolled assistance eligible individuals**
 - **Subsidy starts at beginning of period of coverage (March 1 for most)**
 - **Overpayment can be applied to future premium for up to 180 days**
 - **Alternative refund available at employer/administrator option**

- **Employers may allow individuals to make coverage change (optional)**
 - **Coverage must have the same or lower cost**
 - **Individuals have 90 days from notification to choose alternative plan vs. 60 day period for coverage election**
 - **Complex administrative process to adhere to regulations**
 - **UnitedHealthcare does NOT recommend this option**
 - **Regular COBRA open enrollment continues in conjunction with employee plan open enrollment period**

- **Subsidy is 65% of the COBRA premium**
- **Premium is defined by the amount the employer charges the individual to purchase continuation coverage**
- **Severance subsidy provided by the employer reduces the subsidy**
 - Individual pays 35% of the reduced amount
 - Employer recovers 65% of the post severance amount
- **Example 1:**
 - 102% of active employee premium is \$1,000
 - Individual pays \$350; Employer pays and recovers \$650
- **Example 2:**
 - 102% of active employee premium is \$1,000
 - Employer charges \$500 to purchase coverage
 - Individual pays \$175; Employer pays and recovers \$325
- **Example 3:**
 - 102% of active employee premium is \$1,000
 - Employer charges severance rate of \$200 for three months
 - Individual pays \$70 for three months; Employer pays and recovers \$130
 - Individual pays \$350 for up to six more months, Employer pays and recovers \$650 per month

- **Subsidy takes the form of a federal payroll tax credit**
 - Employee income tax withholdings
 - Employee and/or employer FICA withholdings
- **Updated form 941 provides credit and potential for refund**
- **Credit available upon receipt of 35% from individual**
- **Reporting to include:**
 - Tax identification number (SSN) of each covered individual
 - Receipt date of individual payment
 - Amount attributed to each subsidized individual
 - “Attestation” of involuntary termination of each covered employee
 - Determination if subsidy was for one or more than one individual
 - Accounting of payroll credits and forecast of future credits
- **Credit is taken by employer for COBRA eligible plans**
- **For multi-employer plan, the plan takes the credit**
- **For state continuation or “mini-COBRA” plans, health insurance carrier takes the credits**

- **State continuation applies to non-COBRA small employers (less than 20 employees)**
- **ARRA subsidy applies to continuation plan if the plan is “comparable” to COBRA**
 - Participant continues the group coverage existing on day of termination
 - Price for continued coverage is based upon percentage of plan’s actual cost
- **Majority of states have comparable plans**
 - Some that don’t are considering legislation
 - ARRA does not amend comparable state plans to require “second chance” election but states may allow this according to DOL/IRS.
 - Some states proposing legislation to adopt “second chance” (NY) Some state insurance departments are requiring second chance without legislation (NH, NJ)
 - DOL states that “issuer” (United) is responsible for initial notification of state continuation to all qualified beneficiaries who have had a qualifying event from September 1, 2008 through December 31, 2009. This is subject state timing requirements and DOL has produced variable model form for this purpose
 - Low cost special election option available under state continuation plans (employer)
- **For state continuation plans, ARRA requires insurer to be responsible for subsidy**
 - Plan administrator collects 35% from AEI – coverage in effect upon payment
 - Insurer files for subsidy refund through its payroll tax
 - If a third party (not the insurer) administrates the plan, administrator works with insurer to support insurer with reporting to file subsidy credit timely

Employer

- **Identification and reporting of Involuntary termination of employment individuals 9/1/08 to 2/17/09 in defined format**
- **Confirmation of individuals with qualified events with latest information**
- **Notification to administrator of assistance eligible individual no longer eligible**
- **Leverage administrator reporting to file adjusted tax submission and reporting**
- **Adjust COBRA insurance payments dependent upon funding and administrator distribution process**
- **Retain supporting documentation**

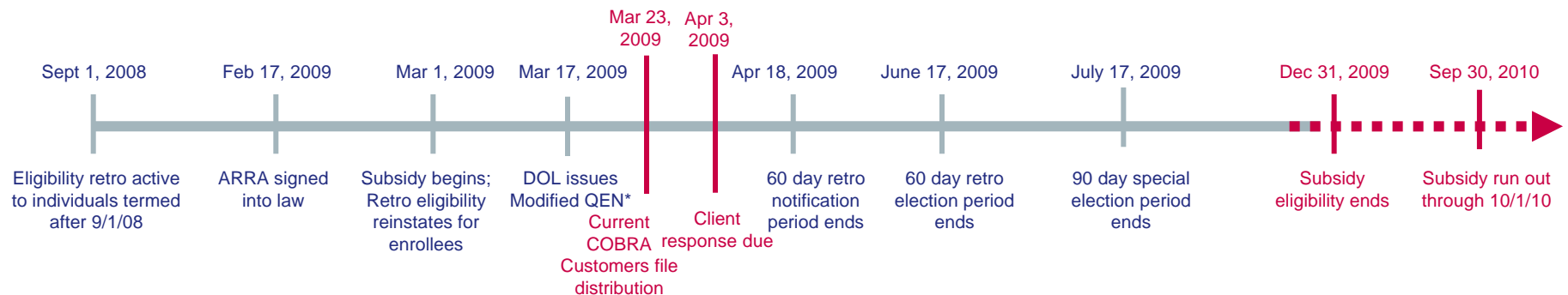
Administrator

- **Provide comprehensive file of individuals with qualifying events between 9/1/08 and current to employer**
- **Provide guidance on coding of involuntary termination to support eligibility decision**
- **Leverage additional employer data to develop and release appropriate notifications per ARRA law**
- **Actively invoice and collect subsidy adjusted premiums from eligible and enrolled individuals**
- **Provide timely subsidy receipt reporting to employer to support subsidy tax adjustments**
- **Monitor and report subsidy timing for all qualified individuals to monitor nine month period**



- **Law passed 2/17/09**
- **Period of eligible involuntary terms – 09/01/08 to 12/31/09**
- **DOL model notification due 3/18/09**
- **Notification to all individuals with qualifying event during period by 4/18/09**
- **AEI's have 60 days from notification to elect coverage 06/17/09**
- **AEI's who elect have 90 days from notification to select alternative coverage (if offered) 07/17/09**
- **AEI's who have elected coverage has up to 45 days to submit payment 7/31/09**
- **Subsidy coverage period – 9 months from 3/01/09 through 9/30/10**

** QEN – Qualifying Event Notification*



Identifying and confirming Assistance Eligible Individuals (AEI's)

- UnitedHealthcare COBRA customers will receive a certified letter and email with instructions regarding the notification of involuntary terminations the week of March 23rd.
- Employers will need to identify all involuntary terminations no later than April 3, 2009
 - Large Accounts will receive a spreadsheet to complete and return.
 - Small Business will receive website instructions to identify involuntary terminations.
- Submit ongoing qualifying events with updated notification codes (involuntary termination)

Notification to AEI's and Qualified Beneficiaries

- UnitedHealthcare COBRA will notify AEI's no later than April 18, 2009 including those within their current 60 day notification period
- UnitedHealthcare COBRA will notify all non-eligible individuals as required under the law no later than April 18, 2009
- Currently enrolled AEI's will receive updated invoicing (including potential overpayment applied to credit) by May 1, 2009
- UnitedHealthcare COBRA will enroll AEI's over 60 day election period through June 17, 2009
- First subsidy reporting will occur during May 2009 based upon currently enrolled individuals and new second-chance enrollments.

* QEN – Qualifying Event Notification

- You have received several articles on this topic in Client Connection or Customer eUpdate newsletters, included FAQs
- Information is also available on the Employer eServices portal
- UHCBS has sent out pre-notification and notification letters last week. Other UnitedHealth platforms have also sent out the notification letters and instructions – As of this week, anyone with UnitedHealth COBRA administration should have the materials needed to then notify us via spreadsheet or online of any individuals eligibility
- Eligibility letters will be sent to qualifying and non qualifying individuals no later than 4/18.
- Recording of this presentation and copies of the slides will be sent out to you following the call

Questions

Press *1 to ask a question or submit a question through the chat or question and answer feature in this webinar site

You can also send in questions following this presentation or contact your UnitedHealthcare representative.

Helpful Links

Department of Labor

- COBRA FAQ's <http://www.dol.gov/ebsa/faqs/faq-consumer-cobra2.html>
- Continuation Coverage FAQ's <http://www.dol.gov/ebsa/cobra.html>

IRS

- COBRA ARRA FAQ's <http://www.irs.gov/newsroom/article/0,,id=204708,00.html>

- **Church plans are exempt from COBRA – but eligible for subsidy**
 - **Church plan is an employee group plan under ARRA**
 - **Even though not covered by ERISA**
- **If insured, church plans may operate under state continuation**
 - **Same requirements as state continuation plans**
 - **Insurer responsible for subsidy**
- **If self funded and the church plan does not follow state continuation, but has own continuation provision**
 - **Need to evaluate if continuation is comparable to COBRA**
 - **If comparable, the self-funded church plan employer is responsible for subsidy payment**
 - **Subsidy recovery through Form 941 for refund if employer does not pay federal payroll taxes**