



Employer *Bulletin*

Employer Communication Center (608) 264-7900 Toll free: 1-888-681-3952 <http://etf.wi.gov>

COBRA Subsidy Extended; Contract Changes for 2010

COBRA Subsidy Extended

The 2010 Federal Department of Defense Appropriations Act (Act), which became law December 19, 2009, extends and expands the premium subsidy for coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), which is provided under the American Recovery and Reinvestment Act of 2009 (ARRA). For information on ARRA, refer to the *Employer Bulletin* issued March 31, 2009.

Notable changes provided under the Act include:

- The amount of time an “assistance eligible individual” (AEI) can receive the subsidy increases from 9 to 15 months.
- The time period in which the qualifying event (i.e., involuntary termination) must occur has been extended from December 31, 2009, to February 28, 2010.
- The Act clarifies that eligibility for the subsidy is based on the date of the qualifying event (i.e., involuntary termination), not the date the individual becomes eligible for COBRA coverage.

As described below, employers are required to provide notice to certain individuals regarding ARRA, as amended by the Act. ETF developed a [notice](#) to help you meet these requirements; it is available on ETF’s Internet site, under the Employers Menu. Note that you must fill in information in the notice and print the first page on your letterhead before issuing.

Pursuant to the Act, you must issue the *Notice* to:

- Individuals who were AEI as of October 31, 2009, and individuals who experienced a termination of employment on or after October 31, 2009. **The notice must be provided by February 17, 2010.**
- All qualified beneficiaries (not just covered employees) who experienced a qualifying event at any time from September 1, 2008 through February 28, 2010, regardless of the type of qualifying event, and who have not yet been provided an election *Notice*.
- AEIs who are in a “transition period.” A transition period is the period that begins immediately after the end of the maximum number of months (generally nine) of premium reduction available under ARRA prior to its amendment. An AEI is in a transition period only if the premium reduction provisions would continue to apply due to the extension from nine to 15 months and they otherwise remain eligible for the premium reduction. **The notice must be provided within 60 days of the first day of the transition period.** For example, AEIs who exhausted their nine months of premium reduction as of November 30, 2009 and who otherwise remain eligible for the premium reduction must be provided the *Notice* by January 29, 2010.

If the AEI has not paid premium for coverage during the transition period, the AEI has 60 days from the enactment of the Act or 30 days from the date of notification from the employer, whichever is later, to pay his or her portion of the premium and it will be considered to be timely resulting in reinstatement of the COBRA coverage. If the AEI paid the full premium for coverage during the transition period, employers must credit the amount of the resulting premium overpayment against the AEI's premium payment for future months or reimburse the overpayment to the AEI.

Please keep in mind that the period of eligibility for Federal COBRA and its available premium reduction may be affected by employer practices of granting additional employer contribution. While the total period of COBRA eligibility is not affected, the eligibility for subsidy cannot begin until the employer contribution ceases and cannot go later than the period of Federal COBRA eligibility, which is 18 months from the qualifying event. Keep in mind that our group health insurance program contractually provides a longer period of continuation coverage than Federal COBRA requires.

For more information, refer to the United States Department of Labor web site at www.dol.gov/COBRA, including Frequently Asked Questions on the premium reduction extension.

Contract Changes for 2010

Below is a summary of notable administrative changes to the health insurance contract that are effective January 1, 2010:

- (State only) **Survivor Premium:** Upon the death of an employee, the insured survivors will receive coverage for those months for which premiums have already been deducted through the payroll process.
- **Enrollment Opportunity:** Pursuant to Federal law, employees who defer coverage if they are covered under medical assistance (Medicaid) or the Children's Health Insurance Program (CHIP) have a 60-day enrollment opportunity when they lose eligibility for that coverage or become eligible for a premium assistance subsidy for this program.
- **Retrospective Premium Adjustments:** The maximum time period for retrospective premium adjustments has been reduced to six months. The contract previously allowed for premium adjustments to occur back to January 1 of the previous year. This may not apply in cases such as fraud, misrepresentation and unreported death.

For questions regarding this *Employer Bulletin*, please contact the Employer Communication Center at (608) 264-7900, toll free at (888) 681-3952 or via e-mail at etf.descomm@etf.state.wi.us.

The Department of Employee Trust Funds does not discriminate on the basis of disability in the provision of programs, services, or employment. If you are speech, hearing or visually impaired and need assistance, call the Wisconsin Relay Service at 7-1-1 or 1-800-947-3529 (English) 1-800-833-7813 (Español). We will try to find another way to get the information to you in a usable form.

This *Employer Bulletin* is published by the Wisconsin Department of Employee Trust Funds. Questions should be directed to contact persons listed in the Bulletin, or to the Division of Retirement Services (DRS). Call Jean Gilding, DRS Administrator, at (608) 266-1210. Employer agents may copy this Bulletin for further distribution to other payroll offices, subunits or individuals who may need the information. Copies of the most recent Employer Bulletins are available on our Internet site at the following URL: <http://etf.wi.gov/employers.htm>

Wisconsin Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931
<http://etf.wi.gov>.