

New Group Health Plan COBRA Requirements

Guidance for construction companies

Grant Thornton LLP provides guidance on new Group Health Plan COBRA Requirements for construction companies – Immediate action required to locate eligible participants and distribute notices by April 18th

- Are you confused about the new COBRA rules and subsidy?
- Do you know who is eligible for the subsidy?
- Do you understand how to file your quarterly employment tax return so that you receive reimbursement from the U.S. Treasury?



Major points you should know

- The changes are generally effective March 1, 2009, and require employers to pay 65% of COBRA continuation coverage premiums for “assistance eligible individuals” for up to nine months after their separation from service. The assistance eligible individuals pay only the remaining 35% of the premium.
- The employer subsidy applies if assistance eligible individuals elect COBRA coverage and actually made payment of 35% of the premium amounts.
- The United States Treasury will reimburse the employer that is responsible for the plan for the portion of the premium it pays (i.e., 65%) through a credit on its quarterly employment tax return (Form 941).
- An “assistance eligible individual” is generally defined as an employee who is involuntarily terminated between September 1, 2008 and December 31, 2009 and who elects COBRA coverage and pays 35% of the required premium amount.
- All employees who were involuntarily terminated on or after September 1, 2008 are eligible for the subsidy, including those who initially elected COBRA coverage, those who did not, and those who failed to continue it under some circumstances. Employers must send these former employees a notice of eligibility by April 18, 2009, allowing them 60 days to elect COBRA continuation coverage at the 35% premium rate.
- The subsidy rate is prospective for all COBRA coverage periods beginning on or after February 17, 2009. Thus, the premium reduction starts on March 1, 2009 for plans that charge for COBRA coverage on a calendar month basis.

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The American Recovery and Reinvestment Act make several important changes to the requirements employers must meet in order to comply with COBRA. Some of the major points you should know are listed in the table on the previous page.

The subsidy period cannot exceed the lesser of nine months or the remaining period of coverage still available when the employee elects subsidized coverage. Also, the coverage ends if an employee becomes eligible for other group coverage or Medicare.

Employers should note that appropriate documentation and timely filing is required in order to receive the reimbursement from the U.S. Treasury as described above.

Also, immediate action is required to locate all eligible participants and distribute eligibility notices (failure to notify participants can result in penalties). As noted in this document, all notices must be distributed by April 18.



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