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April 7, 2009

Dear Client,

President Obama signed the American Recovery and Reinvestment Act (ARRA) on February 17, 2009. The ARRA gives assistance to eligible individuals the right to pay reduced Consolidated Omnibus Budget Reconciliation Act (COBRA) premiums starting February 17, 2009 and can last up to a 9 month period.

According to (<http://www.dol.gov/COBRA>), an "assistance eligible individual" is the employee or a member of his/her family who: is eligible for COBRA continuation coverage at any time between September 1, 2008 and December 31, 2009; elects COBRA coverage; and is eligible for COBRA as a result of the employee's involuntary termination between September 1, 2008 and December 31, 2009.

Those who are eligible for other group health coverage (such as a spouse's plan) or Medicare are not eligible for the premium reduction. There is no premium reduction for premiums paid for periods of coverage prior to February 17, 2009.

ARRA treats assistance eligible individuals who pay 35 percent of their COBRA premium as having paid the full amount. The premium reduction (65 percent of the full premium) is reimbursable to the employer, insurer or health plan as a credit against certain employment taxes. If the credit amount is greater than the taxes due, the Secretary of the Treasury will directly reimburse the employer, insurer or plan for the excess.

The premium reduction applies to periods of coverage beginning on or after February 17, 2009. A period of coverage is a month or shorter period for which the plan charges a COBRA premium. The premium reduction starts on March 1, 2009 for plans that charge for COBRA coverage on a calendar month basis. The premium reduction for an individual ends upon eligibility for other group coverage (or Medicare), after 9 months of the reduction, or when the maximum period of COBRA coverage ends, whichever occurs first. Individuals paying reduced COBRA premiums must inform their plans if they become eligible for coverage under another group health plan or Medicare

For your convenience, we have enclosed a copy of a Summary of The COBRA Premium Reduction Provisions under ARRA, a flyer on The COBRA Premium Reduction Provisions under ARRA, and COBRA Poster. Please post the flyer and the COBRA poster immediately.

Please feel free to contact our office with any questions.

Sincerely,

Jay Gunwall and Aaron Dallmann

Enclosures:

- (1) Summary of the COBRA Premium Reduction Provisions under ARRA
- (2) Flyer on the COBRA Premium Reduction Provisions under ARRA
- (3) Poster on the COBRA Premium Reduction Provisions under ARRA



Summary of the COBRA Premium Reduction Provisions under ARRA



President Obama signed the American Recovery and Reinvestment Act (ARRA) on February 17, 2009. The law gives “Assistance Eligible Individuals” the right to pay reduced COBRA premiums for periods of coverage beginning on or after February 17, 2009 and can last up to 9 months.

To be considered an “Assistance Eligible Individual” and get reduced premiums you:

- MUST be eligible for continuation coverage at any time during the period from September 1, 2008 through December 31, 2009 and elect the coverage;
- MUST have a continuation coverage election opportunity related to an involuntary termination of employment that occurred at some time from September 1, 2008 through December 31, 2009;
- MUST NOT be eligible for Medicare; AND
- MUST NOT be eligible for coverage under any other group health plan, such as a plan sponsored by a successor employer or a spouse’s employer.*

Individuals who experienced a qualifying event as the result of an involuntary termination of employment at any time from September 1, 2008 through February 16, 2009 and were offered, but did not elect, continuation coverage OR who elected continuation coverage and subsequently discontinued it may have the right to an additional 60-day election period.

◆ IMPORTANT ◆

- ◇ If, after you elect COBRA and while you are paying the reduced premium, you become eligible for other group health plan coverage or Medicare you MUST notify the plan in writing. If you do not, you may be subject to a tax penalty.
- ◇ Electing the premium reduction disqualifies you for the Health Coverage Tax Credit. If you are eligible for the Health Coverage Tax Credit, which could be more valuable than the premium reduction, you will have received a notification from the IRS.
- ◇ The amount of the premium reduction is recaptured for certain high income individuals. If the amount you earn for the year is more than \$125,000 (or \$250,000 for married couples filing a joint federal income tax return) all or part of the premium reduction may be recaptured by an increase in your income tax liability for the year. If you think that your income may exceed the amounts above, you may wish to consider waiving your right to the premium reduction. For more information, consult your tax preparer or visit the IRS webpage on ARRA at www.irs.gov.

For general information regarding your plan’s COBRA coverage you can contact [*enter name of party responsible for COBRA administration for the Plan, with telephone number and address*].

For specific information related to your plan’s administration of the ARRA Premium Reduction or to notify the plan of your ineligibility to continue paying reduced premiums, contact [*enter name of party responsible for ARRA Premium Reduction administration for the Plan, with telephone number and address*].

If you are denied treatment as an “Assistance Eligible Individual” you may have the right to have the denial reviewed. For more information regarding reviews or for general information about the ARRA Premium Reduction go to:

www.dol.gov/COBRA or call 1-866-444-EBSA (3272)

* Generally, this does not include coverage for only dental, vision, counseling, or referral services; coverage under a health flexible spending arrangement; or treatment that is furnished in an on-site medical facility maintained by the employer.

IF YOUR GROUP HEALTH PLAN IS SUBJECT TO COBRA, THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009 (ARRA) MAY IMPACT YOU

There are new COBRA notice requirements that apply if any individual under your plan had a COBRA qualifying event on or after September 1, 2008. There are also additional COBRA election opportunities for certain individuals with qualifying events from September 1, 2008 through February 16, 2009.

For more information on the COBRA provisions and notice requirements under ARRA, contact the U.S. Department of Labor's Employee Benefits Security Administration at:

1-866-444-3272

or visit

www.dol.gov/COBRA

For more information on the tax provisions of ARRA contact the IRS at:

www.irs.gov



Job Loss?

Important Information Workers Need to Know to Protect their Health Coverage and Retirement Benefits

U.S. Department of Labor

Working for an employer who offers health and retirement benefits is one of the smartest things an employee can do. But what happens when you leave the job? What happens to your health and retirement benefits if you are downsized or go to work for another employer?

The good news is that you have protections under federal law. You may be able to continue your health care coverage, for instance. And you'll want to protect the retirement benefits you've earned so you will have them when you retire. Know the benefits and protections you are entitled to and where to go with questions.

If you have questions or want free booklets about your health benefit rights and retirement plan protections, call the Employee Benefits Security Administration office near you at 1-866-444-EBSA (3272).



1

Extend your health care coverage

You may have a special enrollment opportunity in your spouse's plan. Or, if you belong to an employer-sponsored health benefits plan—and if your employer's firm has more than 20 employees—you may be able to extend your health coverage under a law called COBRA, the Consolidated Omnibus Budget Reconciliation Act. COBRA lets you purchase continued health care coverage at the same group rates paid by your former employer's plan plus an added 2 percent for administrative fees. Coverage can last from 18 to 36 months.

If you lost your job on or after September 1, 2008, you may be eligible for a 65 percent reduction in your COBRA premium for up to 9 months. If you did not elect COBRA coverage when you were eligible on or after September 1, 2008, or elected the coverage but dropped it, you may be eligible for a new opportunity to elect COBRA coverage and take advantage of the premium reduction.

2

Your new employer's health benefits plan can't exclude you because of a prior health condition

When you switch jobs, you cannot be denied enrollment in your new employer's health benefits plan due to a pre-existing medical condition. That's the law under HIPAA, the Health Insurance Portability and Accountability Act. In addition, if you had health coverage in your previous job, you may be able to receive credit that will reduce certain exclusion periods for pre-existing conditions.

3

Protect the retirement benefits you've earned

Keep your records. When you leave a job or retire, make sure you have copies of your retirement plan's Summary plan Description, or SPD as it is usually called, and any amendments. These documents tell you if you're eligible for a retirement and when you can receive retirement benefits. Learn about these and other retirement safeguards under ERISA, the Employee Retirement Income Security Act.