

ARRA COBRA Subsidy Extended

On Saturday, December 19, 2009, the Senate approved the House Amendment to H.R. 3326, “the Department of Defense Appropriations Act of 2010.” The Act includes provisions revising and extending the ARRA (The American Recovery and Reinvestment Act enacted on February 17, 2009) COBRA Premium Subsidy. We anticipate that the President will sign the bill at any time. The text of the COBRA provisions start on page 64 of the bill.

Highlights of the new COBRA provisions include:

- The end date of eligibility for the ARRA COBRA Subsidy is extended from December 31, 2009 to February 28, 2010.
- The maximum ARRA premium subsidy period is increased from the original 9 months to 15 months.
- The eligibility definition for the subsidy is changed to base it upon the date of the Qualifying Event, rather than the date of eligibility for COBRA coverage. – *This provision extends eligibility for the subsidy to assistance eligible individuals involuntarily terminated prior to March 1, 2010 where coverage ends on February 28, 2010 and COBRA eligibility would begin on March 1, 2010. The original ARRA language would not have extended the subsidy to these individuals.*
- Provides for a 60 day period for retroactive payment of premiums for Assistance Eligible Individuals (AEIs) whose subsidy expired on November 30 who failed to pay the full premium for December and whose coverage ended for non-payment of premiums. The same refund/credit rules under the original bill apply to any AEI whose subsidy expired in November and who has since paid the full COBRA premium. – *November would be the first month where the original 9 months of subsidy could run out for an AEI.*
- A special Notice is required for all AEIs who are either on COBRA on or after October 31, 2009 or whose Qualifying Event is a termination of employment occurring on or after October 31, 2009 detailing the new provisions, including the ability to make retroactive payments in order to maintain COBRA coverage. – Prospectively, this notice should be incorporated in the Qualifying Event Notice.

For Tri-Star COBRA Administration clients, we have already incorporated the language revisions into our Qualifying Event Notices and will begin using them once the bill is signed by the President – eliminating the need for Special Notices to be sent to any newly reported Qualified Beneficiaries. We will also expeditiously send out Special Notices to AEIs who were either on COBRA or experienced a Qualifying Event on or after October 31, 2010. We will also send out corrected payment coupons to current COBRA participants who are AEIs to reflect the additional 6 month subsidy.

At some point, we expect additional guidance and model language to be posted by the Department of Treasury and Department of Labor. Additional pending appropriations bills, as well as health reform legislation may make additional changes. We will keep you posted as they materialize.

7 a.m. – 5 p.m.

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Health Care Reform Update

Early Sunday morning, December 20, the Senate voted for cloture (60 – 40) on the Senate version of Health Care Reform Legislation. Now, the House and Senate must reconcile their separate versions of the bill.

Two more procedural votes await the Senate, each requiring 60 votes, the first of these set for Tuesday morning. The final outcome remains unpredictable, because the Senate measure must be reconciled with the health care bill passed by the House in November before final legislation can be sent to the President for signature. Final passage of the bill requires a simple majority, and that vote could come as late as 7 p.m. on Thursday, Christmas Eve, or the day before if Republicans agree.

There are significant differences between the two measures, including, but not limited to:

- more strict language in the Senate version prohibiting spending federal funds for abortion coverage,
- a new government-run insurance plan in the House bill that's replaced, in the Senate version, by national insurance policies to be offered by private firms, outside the jurisdiction of state regulations, negotiated through the Office of Personnel Management,
- a tax on high-value insurance plans embraced by the Senate but strongly opposed by many House Democrats,
- Both versions include a provision to cap FSA contributions at \$2,500 effective in 2011 but the latest Senate amendment includes an index to the cap to CPI-U.

The timing of resolution and final signature is unpredictable, but not unimaginable at this point. Impact on each individual and on our nation is in the hands of our lawmakers. Our insights will continue to be communicated in the days ahead.

2010 IRS Limits

The IRS has published the following rates/limits for the 2010 tax year:

Type of Limitation	2010	2009
<u>Mileage for medical care</u>	16.5 cents/mile	24 cents/mile
<u>Income Subject to Social Security Tax</u>	\$106,800	\$106,800
Business mileage	50 cents/mile	58.5 cents/mile

Further rates and limits are available through the 2010 IRS [Publication 15-B](#), "Employer's Tax Guide to Fringe Benefits."