

COBRA and the ARRA Make Health Care Possible

COBRA (Consolidated Omnibus Budget Reconciliation Act of 1985) has long been an option that gives workers who lose their jobs, and thus their health benefits, the right to purchase group health coverage provided by their plan. If the employer continues to offer a group health plan, the employee and their family can keep that group health coverage for up to 18 months by paying group rates.

Cost for COBRA has often been the reason many individuals have failed to take advantage of the program. With that in mind, The American Recovery and Reinvestment Act of 2009 (ARRA) provides for premium reductions and additional election opportunities for health benefits under COBRA. Eligible individuals pay only 35 percent of their COBRA premiums and the remaining 65 percent is reimbursed to the coverage provider through a tax credit.

The premium reduction applies to periods of health coverage beginning on or after February 17, 2009 and lasts for up to *nine months* for those eligible for COBRA during the period beginning September 1, 2008 and ending *December 31, 2009* due to an involuntary termination of employment that occurred during that period. ARRA treats 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 reimbursed to the employer as a credit against specific employment taxes.

Let's look at an example of how the ARRA coverage could work for a family in Texas: Mary works for ABC Company in Tarrant County. She has worked there for over a year and is now facing a lay-off. Mary is a single parent with 3 children under 18. She has the entire family covered on her company paid health insurance plan. Her coverage costs the company \$1,000.00 per month for her and her children. Mary is receiving Unemployment Insurance Benefits of \$400.00 per week and this is her only income.

Without ARRA, Mary would have to pay the full \$1,000 per month to keep her coverage for her family. This would not be feasible for her at this time. However, with ARRA, she would only have to pay 35% of the total amount (or \$350) for the same coverage she had before she was laid off.

Mary is told by her career consultant that her children might be eligible for CHIP (Children's Health Insurance Program). Mary applies for CHIP on-line at:

<http://www.chipmedicaid.org/english/apply.htm>

Her children are determined eligible for CHIP and Mary drops them from her COBRA benefits. Mary finds out her company sponsored health care premium COBRA payment would normally cost her \$400.00 a month. But since ARRA pays 65% to her employer through tax credits, she will only have to pay \$140.00 per month. Now, she and her children will have medical coverage.

Of course, we all know nothing is ever this simple. Each person brings their own unique set of circumstances to the table. The Department of Labor has attempted to get as many questions answered as possible on one webpage. To get answers to your questions about COBRA and ARRA, go to:

<http://www.dol.gov/ebsa/cobra.html>