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Session 1A

American Recover & Reinvestment Act – COBRA Provisions



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Introductions

- Kelly Jo Drillevich
 - Regional Sales Manager, Hagel & Company
 - Former Payroll/HR Manager



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I am not an attorney, nor do I play one on TV...

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ARRA

American Recovery & Reinvestment Act of 2009, Public Law 111-5, enacted February 17, 2009 relating to premium assistance for COBRA continuation coverage.



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Changes to Cobra

- Subsidy available for involuntarily terminated or reduction in hours events between September 1, 2008 and December 31, 2009
- It entitles the “assistance eligible individual” to new election opportunities
- New notice requirements –effective April 1, 2009



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Example of ARRA Information for Cobra Notice

- **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)





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Model Notices

Department of Labor site

- <http://www.dol.gov/ebsa/COBRAmodelnotice.html>



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Subsidy Provisions

- For employers who offer COBRA
 - Doesn't apply to small employers with less than 20 employees ...
 - Exceptions
 - Unless in state with "mini-COBRA" laws
 - Covered under PHSA as governmental entity



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Subsidy Eligibility

- Must have been involuntarily terminated or reduction in hours between September 1, 2008 and December 31, 2009
 - Fired? Offered and accepted early out?
Quit in anticipation of layoff?
- Applies to employee and all eligible dependents
 - New term “Assistance Eligible Individual” (AEI)



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Subsidy Eligibility con't

- Must have a “adjusted gross income” less than \$145,000 individual or \$290,000 joint
 - Phase out from \$125,000/\$250,000
- One-time subsidy waiver that is irrevocable
 - Must be on the new forms



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Subsidy Terms

- Federal subsidy equals 65% of the qualified beneficiary's premium
 - If the plan sponsor voluntarily subsidizes COBRA, the qualified beneficiary only has to pay 35% of the portion not paid by employer
- Subsidy continues for up to nine months



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Subsidy Mechanism

- Employer or carrier initially pays the 65% subsidy
- Submits for refundable credit as part of payroll tax mechanism
- Example:
 - Employer pays out \$3,846.15 for QB premium which includes \$2,500 in premium subsidies during payroll period, during this same period all QB's made their 35% payment for the coverage
 - Employer reduces tax deposit by \$2,500



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Subsidy Reporting/Documentation

- IRS Reporting
 - Quarterly reporting on IRS Form 941 – new lines 12 a and 12 b
- Documentation required to keep
 - Accounting of receipt of COBRA payments (COBRA account GL and copy of check)
 - Copy of insurer's invoice
 - Proof of premium payment (copy of canceled check)
 - Attestation of involuntary termination
 - Proof of AEIs eligibility for premium
 - SSNs of all eligible employees covered by subsidy, amount of each subsidy and whether coverage was for 1, 2 or more



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Process in Sage Abra for 941 Reporting

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The screenshot shows the Sage Abra Suite interface for Form 941 - First Quarter 2008. The main window has a menu bar (File, Edit, Actions, Processes, Analysis, Reports, Rules, Details, Query, Help) and a toolbar. The main area displays a form with the following fields:

Line	Description	Value
11	Total deposits for this quarter, including overpayment applied from a prior quarter	70487.10
12a	COBRA premium assistance payments	2500.00
12b	Number of individuals provided COBRA premium assistance reported on line 12a	4
13	Add lines 11 and 12a	72987.10
14	Balance due	0.00
15	Overpayment (Send a refund selected)	2500.00
16	State abbreviation for the state where you made your deposits OR write "MU" for multiple states	CA
17	Depositor (Line 10 is less than selected)	

A 'Notes' dialog box is open, showing the text: 'ARRA - COBRA Subsidy'. The 'Employer' field is set to 'ZSI - ZSI/ABC SYSTEMS, INC'. The taskbar at the bottom shows the Start button, taskbar with '2009 UG Presentations', 'Microsoft PowerPoint ...', and 'Abra Suite'. The system tray shows the time as 5:40:14 am on 5/40 AM.

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Subsidy Termination

- For any month in which QB becomes eligible for “other health coverage” or Medicare
 - “Other health coverage” doesn’t include
 - Dental
 - Vision
 - FSA or HRA
 - Counseling
 - On-site health clinic
- QB must provide notice of other coverage
 - Failure to do so results in 110% repayment of improper subsidy amount to Federal Gov.



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CHIPRA 2009

- Coordinates with HIPAA Special Enrollment rights
 - Marriage
 - Birth
 - Adoption
 - Loss of coverage from another plan
- New Special Enrollment rights and election period
- New notice requirements
- Effective date – April 1, 2009



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New HIPAA Events

- Loss of coverage in SCHIP or Medicaid by employee and/or dependents
- Becomes eligible for state-provided health care premium assistance
 - Assistance paid to employer (employer optional)
 - Otherwise paid to employee for reimbursement
- Has 60 day (as opposed to 30) election period



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New Notice Requirements

- Employer must provide notice to each employee in state with premium assistance
- Model notice will be available from HHS by 11/4/2010



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CHIPRA – Action Items

- Amend all health and cafeteria plan documents by April 1, 2009 to incorporate new Special Enrollment rights
- Prepare new notice (again should have been sent out by 4-1-2009)
- Update processes and procedures for Special Enrollment rights to incorporate CHIPRA changes
- Update systems for longer election period for certain events



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Thank you!



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