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**Federal Stimulus – COBRA Premium Assistance Information for Small Employers and Insurers providing coverage under State Continuation Coverage law  
March 6, 2009**

The federal stimulus bill provides COBRA premium assistance to former employees covered under federal COBRA law and to former employees covered under state continuation coverage law. State continuation coverage is sometimes referred to as “mini-COBRA.” If an employer has fewer than 20 employees, those employees receive continuation coverage under the state continuation law rather than the federal law. The provisions of the federal stimulus bill are not identical for both groups. This fact sheet discusses the changes that the federal stimulus bill makes to state continuation coverage.

**Will small employers, those with less than 20 employees, have to pay the 65% of the state continuation coverage premium not paid by the former employee?**

No. Small employers who contract with an insurance company for health benefits will collect the 35% of the premium from the former employee and submit that as payment in full to the insurance company. The insurance company will claim the credit for the 65% of the premium not paid by the former employee from the IRS.

**How long does the subsidy last under state continuation law?**

Although the federal subsidy lasts for 9 months, Ohio continuation coverage only extends for 6 months. The maximum period of time that a person can receive the subsidy is therefore 6 months. Under federal law, the subsidy ends when a person is no longer eligible for state continuation coverage or when the individual becomes eligible for other group insurance, or Medicare (whichever comes first).

**Who is eligible for coverage under the state continuation law?**

In order to be eligible under state continuation law, an employee must have been:

- (1) continuously insured under a group policy during the 3 month period preceding the termination of employment;
- (2) entitled to unemployment compensation benefits under Chapter 4141 of the Revised Code;
- (3) not covered or eligible for coverage under Medicare; or
- (4) not covered or eligible for coverage under other group coverage.

**When does the law become effective?**

The law became effective on the date of enactment, February 17, 2009. However, under a transition rule, the regular premium amount may continue to be paid by the former employee

for up to two months after enactment (e.g., for March and April). Thus a former employee who has already paid the entire amount of premium for their coverage is entitled to be reimbursed or credited for the amount of the overpayment by the insurance company.

**Will eligible individuals who previously terminated or declined to elect group continuation coverage have another opportunity to elect group continuation coverage and receive the subsidy?**

No. For individuals receiving state continuation coverage there is no state equivalent extended eligibility period. In other words, **only** employees involuntarily terminated on or after February 17, 2009, through December 31, 2009 or those who elected continuation coverage, are eligible for the subsidy.

**Do small employers have to notify terminated employees of the federal premium subsidy?**

Yes. The Department of Labor will provide model notices and rules specifying the time by which employers must give notice of the federal premium assistance. The notice is expected to be released by the middle of March.

**After the employer forwards the employee's 35% premium payment to the insurer what happens?**

The insurer is required to accept the 35% payment as payment in full for continuation of the group coverage for the former employee. The insurer will claim the unpaid 65% of the premium as a credit against payroll tax owed on IRS Form 941.

**What other information is the insurer likely to request from the small employer?**

Small employers may be asked to provide the Insurance company with information to verify the former employees' eligibility under the statute. Such documentation may include:

- Attestation of involuntary termination, including the date of the involuntary termination (which must be during the period from February 17, 2009 to December 31, 2009), for each covered employee whose involuntary termination is the basis for eligibility for the subsidy; and
- Proof of each former employee's eligibility for state continuation coverage and election of state continuation coverage.

**Is the insurer required to provide the state continuation coverage subsidy?**

Yes, the subsidy requirement applies to insurers subject to the Federal COBRA continuation coverage requirements or to similar requirements under State law.

**What if there is a disagreement as to whether a former employee is eligible for group continuation coverage?**

Former employees may contact the Department of Insurance if they believe the insurance company is not complying with state or federal group continuation coverage rules. To contact the Department of Insurance call 1-800-686-1527.

**What other agencies will provide information about the COBRA subsidy?**

Information about the COBRA subsidy will also be available through the Department of Labor and the Department of Health and Human Services, which, along with the IRS, share responsibility for the COBRA requirements.

Visit the Department of Labor Web site at <http://www.dol.gov/ebsa/cobra.html> for information related to COBRA eligibility and the subsidy. Benefits Advisors are also available to assist you at 1-866-444-3272.

Visit the IRS [COBRA Health Insurance Continuation Premium Subsidy](#).

Visit the IRS to find Information Related to Tax Provisions in the American Recovery and Reinvestment Act of 2009 at <http://www.irs.gov/newsroom/article/0,,id=204708,00.html>.

Visit the House Committee on Education and Labor fact sheet at <http://edlabor.house.gov/blog/2009/02/health-coverage-for-the-unempl.shtml>

Contact the Ohio Department of Insurance (<http://www.ohioinsurance.gov/>) for questions regarding the state continuation law at 1-800-686-1527.