



EMPLOYEE BENEFITS BULLETIN

June 15, 2009

Mini-COBRA

On June 10, 2009 Governor Edward G. Rendell signed Act 2 of 2009 to help address the growing need to extend health care options for those newly unemployed.

Employees laid off by small employers are now eligible for state Mini-COBRA benefits. Prior to this, only those who worked for companies employing more than 20 people were eligible for federal COBRA benefits. These benefits extend health coverage under the employer's insurance plan.

This also means that the 65 percent reduction in COBRA premiums authorized under the new federal stimulus law will now apply to Mini-COBRA benefits for workers laid off from small businesses, for up to nine months.

Questions and Answers on Mini-COBRA Insurance:

What is Mini-COBRA?

COBRA is a federal law that gives workers who lose their jobs, and thus their employer-based health benefits, the right, under certain circumstances, to purchase continuation of group health coverage provided by the employer's plan. Federal COBRA benefits may continue for up to 18 months.

Federal COBRA does not apply to plans sponsored by employers with fewer than 20 employees. However, Mini-COBRA is a new state law that now gives to employees of smaller employers in Pennsylvania a similar right to purchase continuation of group health coverage provided by the employer's plan. The Mini-COBRA benefits may continue for 9 months.

What would it cover and how does it work?

Since the law allows former employees of small businesses to continue to purchase health benefits, you would be getting the benefits and coverage of your former employer's plan. The coverage will be effective as of the date of the "qualifying event." "Qualifying event" can include things like the employee's termination, or, for the spouse, divorce from or death of the employee, or for the child, ceasing to be a dependent, etc.

Also, for employees involuntarily terminated between the effective date of the law and December 31, 2009, it allows individuals who qualify to take advantage of the federal stimulus 65 percent premium assistance subsidy for Mini-COBRA benefits.

How do I determine if I am eligible?

Generally speaking, Mini-COBRA applies to those employees who have been terminated 30 days or later from the date the bill was signed (6/10/09) who had coverage under the employer's group policy for the three months prior to termination, are not eligible for Medicare, and are not eligible for or covered by other private group health insurance.

How much could it cost?

You may be required to pay up to 105 percent of the group rate. This may be higher than what your cost share was while employed, but generally the cost is lower than that for private, individual health insurance coverage.

However, if you qualify under the federal stimulus law, you may receive a 65 percent premium reduction. Note, though, that if you are eligible for the premium assistance, you are required to notify the plan when you become eligible for Medicare or other group coverage, or you could be subject to a penalty of 110 percent of any premium assistance you received.

Please note: If you end up earning more than \$125,000 (\$250,000 for a married couple filing a joint tax return) over the course of the year, any premium assistance will be recaptured by an increase in your tax liability. To avoid that tax consequence, you may delay electing, or permanently waive, premium assistance if you think you might earn this amount.

How do I secure a Mini-COBRA policy?

If you are terminated from your job at a small employer after July 10, you should talk to your former employer as soon as possible about Mini-COBRA continuation coverage.

Your employer will notify you of your right to elect Mini-COBRA. You and your eligible family members each have 30 days to elect the Mini-COBRA coverage, otherwise you will lose your rights to Mini-COBRA benefits.

When does this new law go into effect?

Governor Rendell signed the law on June 10, so it will go into effect on July 10.

If my former employer does not know about Mini-COBRA or is having trouble complying, whom should I contact? Whom do I contact if I have additional questions about Mini-COBRA continuation coverage?

Your employer should be working with its insurer to comply with the new law. However, if you have further questions on compliance or any other Mini-COBRA issue, please contact the Pennsylvania Insurance Department.

If you have been terminated, and are eligible for Mini-COBRA, but have been told that you do not qualify for the federal stimulus premium assistance subsidy, you may ask for an expedited review of the premium assistance decision from the Secretary of the United States Department of Health and Human Services, Centers for Medicare & Medicaid Services (CMS). Additional information and a form for requesting a review is available at www.ContinuationCoverage.net.

USI Affinity is ready to respond to your questions on Mini-COBRA. Please feel free to contact us at (800) 265-2876.

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