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To: Valued DHR Client
Date: March 3, 2009
Re: American Recovery and Reinvestment Act of 2009

Under federal law, employers with 20 or more employees must offer continuation coverage (COBRA continuation coverage) to former employees, their spouses and dependents (*i.e.*, qualified beneficiaries) if they lose health coverage due to certain qualifying events, such as a termination of employment. On **February 17, 2009**, the American Recovery and Reinvestment Act of 2009 (the 2009 Recovery Act) was enacted, which, in part, provides assistance to unemployed workers and their families for obtaining COBRA continuation coverage. This change in law impacts COBRA administration for DHR and our clients.

Any qualified beneficiary (employee, spouse or dependent) that became eligible for and elects COBRA coverage due to the involuntary termination of the covered employee's employment that occurred **between September 1, 2008, and December 31, 2009** is entitled to a subsidy for 65% of their COBRA premiums. Employees would have up to 60 days to select coverage under this lower-cost option. The subsidy applies to premiums paid for coverage beginning on or after the date of enactment and is available for up to 9 months. These assistance eligible individuals would be required to pay only 35% of the premium charged under a plan.

Employers do not receive any subsidy payment up front, but would be able to recover the 65% of premiums they are charged in the form of a credit against their income tax withholding and FICA taxes (employer and employee portion). If the premiums due an employer exceeded its tax obligations in any given quarter, the U.S. Treasury would issue a check to make up the difference.

WHAT DOES THIS MEAN TO YOU?

If you are on a health plan that DHR administers, DHR will manage the increase in premium and handle the tax credit. There is nothing you need to do.

Additionally, there are new COBRA notice requirements. The Secretary of Labor will issue a model notice within 30 days of the enactment of the law and the new notice must be sent to any qualified beneficiary that has been involuntarily terminated since September 1, 2008. **If you are on a DHR health plan**, we will provide the COBRA notifications to these covered employees.

If you administer your own plan, a Human Resources Specialist will be contacting you in the next week to provide you with the model notice and assist you with this change. If you currently administer your own health plan and would like DHR to handle the plan (including COBRA) for you going forward, or if you have any additional questions, please give us a call at 1-877-HR HELP-2 (1-877-474-3572).

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