



COBRA – American Recovery & Reinvestment Act

Important Notice New COBRA information

Information for Clients - FAQs

Ceridian would like to take this opportunity to share with you the latest information on the new COBRA requirements and to inform you how we, as your COBRA partner, will help your company stay in compliance with all the changes.

As you might know, under The American Recovery & Reinvestment Act of 2009 (ARRA 2009), new and temporary COBRA regulations were recently issued for employers administering employee health insurance benefits under the federal COBRA legislation.

The Act, signed Feb. 17, 2009, provides a 65% subsidy for COBRA continuation premiums for up to nine months for workers who have been involuntarily terminated, and for their families.

The effective date is the first billing period on or after the enactment date, Feb. 17, 2009. Generally, most billing periods begin on the first of the month; in those cases, the effective date would be March 1, 2009.

Although model notices and forms will be forthcoming from the federal government, as well as guidance on many open issues, Ceridian wants to provide you with the following FAQs. They will help you better understand how we plan to implement the changes for your company, and our timeline to do so.

This provides you with latest information on the COBRA provisions we know of today. We expect there will be further updates and refinements as Ceridian proactively seeks more information from various federal agencies.

IMPORTANT INFORMATION – New!

In order to comply with the new COBRA legislation, for all involuntary qualifying events, please begin sending the correct COBRA code which indicates “involuntary” (code C = involuntary, code 0 = lay off) no later than April 15, 2009. This applies to all applicable qualifying events that you are sending to Ceridian. For voluntary terminations please continue to use the appropriate code.

Ceridian will be determining a participant’s subsidy eligibility based on those COBRA codes.

Why is my company affected by the new COBRA subsidy law?

The subsidy requirement applies to group health plans that are subject to the federal COBRA continuation coverage requirements or to similar requirements under State law. If you are an employer with such a plan and you receive a 35 percent payment from an assistance-eligible individual, you are required to pay the remaining 65 percent payment.





COBRA – American Recovery & Reinvestment Act

Important Notice New COBRA information

Who is eligible for the subsidy?

A qualified beneficiary must meet certain criteria in order to qualify for the subsidy. Individuals whose annual adjusted gross income does not exceed \$145,000 for single filers or \$290,000 for joint filers are eligible, but may have increased individual income tax liability as a result. The employer has no responsibility in determining whether an individual meets these criteria.

When does the law become effective?

The law became effective on the date of enactment, Feb. 17, 2009. However, the Internal Revenue Service has stated that under a transition rule, the regular premium amount may continue to be paid for up to two months after enactment (e.g., for March and April), and the subsidy can be provided retroactively for periods of coverage that begin on or after the date of enactment.

Will there be additional fees for providing these services to my company?

Yes. There will be additional fees for these new services. Ceridian will provide new fee schedules to our customers.

How will Ceridian know which of my company's former employees are eligible for the subsidy? Updated!

Ceridian will email a new report called the Involuntary Confirmation Report (ICR) to our customers by mid March. This report will list all terminated employees and a Yes/No involuntary indicator (Yes=involuntary termination; No=voluntary termination).

You should review the report for accuracy and, if necessary, change the indicator. Return the saved report to Ceridian via email no later than March 27, 2009. Please return the report to ICReports@ceridian.com. The report will be in an Excel format. Instructions will be sent with the report. Ceridian will load this report into our system to update the employee records. If the report is correct, simply return the report back to Ceridian via email to ICReports@ceridian.com no later than March 27, 2009. The system involuntary indicator is in place and will be used by our staff to determine eligibility.

Who determines a person's eligibility to receive a subsidy?

Once any changes are updated in our system from the Involuntary Confirmation Report, Ceridian will be prepared to review and make the determination on behalf of our customers.

What happens if Ceridian denies an individual's eligibility request?

If denied, the person does have appeal rights. Appeals will be determined by the Department of Labor. Ceridian will provide the appeal process to your participants.

How does the subsidy work for a qualified beneficiary?

Ceridian will begin mailing the new (for the retroactive population) or updated (for new qualified beneficiaries) notice on or before April 17, 2009, to qualified beneficiaries who have lost group health





COBRA – American Recovery & Reinvestment Act

Important Notice New COBRA information

coverage due to a job loss from September 1, 2008, through December 31, 2009. The qualified beneficiary then has 60 days to respond to Ceridian. They will be required to certify their eligibility in their response. Ceridian will then update their record and determine whether a refund or credit is due back to the individual and process accordingly. If an individual is receiving the subsidy, and loses eligibility because they have gained access to a group health plan, they are required to notify their ineligibility status to the plan who is subsidizing their premium. Examples of gaining access to a group health plan include being eligible for Medicare, a spouse's group health plan, or a group health plan with a new employer.

When will the new notices be mailed?

Ceridian will create the new notice and complete mailings on or before April 17, 2009. The Department of Labor is expected to issue the model notice on or before March 19, 2009.

Once notified, how long does an individual have to elect the subsidized coverage?

They will have 60 days from the date the new notice is provided. This is called the special election period.

Can an individual elect COBRA coverage during the special election period if they did not elect COBRA during their initial election period and does not currently qualify for the subsidy?

It would seem reasonable that an individual would be able to elect COBRA coverage during the special election period when they did not initially elect and do not qualify for the subsidy, but guidance is still needed from the U.S. Department of Labor to determine if this is the case. Ceridian will notify you when that determination is made.

This special election period opportunity does not apply to coverage sponsored by employers with less than 20 employees that is subject to State law.

What plans are eligible for the subsidy?

The subsidy applies to COBRA premiums for medical coverage, including dental, vision and prescription, but not Healthcare Flexible Spending Accounts.

Can an individual choose any of the company's plan options during the special election period under ARRA 2009?

The coverage that was offered at the time of the original qualifying event is the coverage offered under ARRA 2009, except if the company chooses the Optional Coverage Offering. That would mean that increasing the level of coverage from single to two-party to family is not an option when it was not originally available.

How does the Optional Coverage Offering work?

The Optional Coverage Offering is a provision that allows an individual to switch medical coverage options with the same or lower premium level. If your company decides to allow this option, individuals



COBRA – American Recovery & Reinvestment Act

Important Notice New COBRA information

will receive notice that they may select a lower premium plan. If they indicate interest, Ceridian may need to refer the individual to your company for their plan options. Your company may need to provide the new premium detail to Ceridian.

If you select this option, Ceridian will work with you in serving the subsidy-eligible individuals interested in selecting an alternative plan. There are additional fees associated with this service, and we are not recommending this option due to the complexity involved in the administration. If chosen, your company may have additional responsibilities associated with the administration of this service.

Ceridian has already mailed letters to each customer requesting this information. If your company wants to offer the Optional Coverage Offerings to all eligible qualified beneficiaries, please email Ceridian at ARRA2009@Ceridian.com and include your name, company name, email address, phone number and your decision to offer this optional service by the date indicated on your letter. A Ceridian representative will be in contact with you to explain the details of handling this change.

Do all employers have to offer different health plans with lower premiums? Updated!

All employers must comply with the ARRA 2009. The option to offer different health plans with lower premiums is the only optional section of the Act. Ceridian does not recommend this particular option due the complexity involved in the administration.

How long can an individual have COBRA coverage under the stimulus plan?

The special election period does not extend an individual's continuation period, typically 18 months from the date of the qualifying event or job loss.

How does my company reclaim the 65% subsidy amount from the government?

Your company can be reimbursed by reducing the wage withholding and FICA tax payment by the subsidy total for that period. For example, if a company's taxes due total \$10,000 for a period and the total 65% premium subsidies are \$5,000, the total tax payment due to the government is \$5,000. If the company's premium subsidies are more than your taxes due, the government will reimburse your company directly. With each disbursement of premium payments that Ceridian collects on behalf of our customer, we will provide a report to the customer with the total and detail of the group's participants who have paid their subsidized premium in that month.

For what duration can my company anticipate paying the 65% subsidy?

The subsidy is available to eligible individuals who have been "involuntarily terminated" from September 1, 2008, through December 31, 2009, for a maximum of nine months. If an individual is involuntarily terminated on December 31, 2009, they may have the benefit of the subsidy through September 2010. Your company would be required to provide the 65% portion through that same time period. The U.S. Department of Labor is expected to define "involuntary termination" on or before March 19, 2009.



COBRA – American Recovery & Reinvestment Act

Important Notice New COBRA information

The IRS has stated that employers must maintain supporting documentation for the credit claimed against their wage withholding and FICA tax filing. How will Ceridian help my company manage this requirement?

Ceridian is planning to deliver a report which will detail information regarding what premiums have been received from participants with all premium disbursements made to their customers. Ceridian will also require all individuals to certify their eligibility to receive the subsidy. By providing the correct involuntary termination indicator on the Involuntary Confirmation Report by April 1, and providing the correct termination code for ongoing qualifying events, Ceridian will be able to compare subsidy requests to our system and determine eligibility. This will help to keep your company in compliance and satisfy the documentation requirement.

Will the participant then be invoiced for just the remaining 35%?

The participant will be invoiced for 35% of the 102% COBRA premium (plan rate plus 2% administrative fee). For example, if an individual's 102% COBRA premium is \$100, under the new subsidy program they would be billed \$35. Note: If the participant elects FSA, the participant pays the full FSA premium (it is excluded from the subsidy). Ceridian expects it will be invoicing participants at the subsidized rates beginning in May.

Do current participants in an active status who are qualified continue to pay their monthly invoices until they receive the notice?

Yes. Active participants **must** continue to pay as invoiced. Refunds or credits will be made to those that qualify for the subsidy.

The Internal Revenue Service has stated that under a transition rule, the regular premium amount may continue to be paid for up to two months after enactment (e.g., for March and April), and the subsidy can be provided retroactively.

If a participant has paid the full amount but is eligible for the subsidy, how will he or she be reimbursed?

Ceridian is implementing processes to ensure that participants who are due a retroactive subsidy either are refunded or provided with a credit to their accounts.

When will billing to the participant at the subsidized rates begin?

Ceridian expects it will be invoicing participants at the subsidized rates beginning in May. It is dependent on the timing of each individual's response. The new notices mailings will be completed on or before April 17, 2009, and individuals are permitted 60 days to respond in the special election period.

The Internal Revenue Service has stated that under a transition rule, the regular premium amount may continue to be paid for up to two months after enactment (e.g., for March and April), and the subsidy can be provided retroactively.



COBRA – American Recovery & Reinvestment Act

Important Notice New COBRA information

How will Ceridian handle the refund or credit of over-paid premiums due to retroactive subsidy determination (to March 1, 2009, if that is the first period of coverage after the effective date) to eligible individuals?

Upon determination of eligibility of individuals to receive the subsidized premium, Ceridian will calculate the amount of and coordinate the refund/credit process for amounts due to the individual.

Will the subsidy be available to individuals whose qualifying event was after September 1, 2008, that did not elect COBRA?

Yes. Individuals that terminated employment on or after September 1, 2008, will be notified that they may be eligible for this new subsidy program, but the subsidy itself is only available for the first period of coverage on or after the enactment date (February 17, 2009) forward.

For example, Emily Doe was involuntarily terminated on October 1, 2008 and did not elect COBRA coverage when initially eligible. She receives her new notice in April and elects coverage within the 60 day special election period. Her COBRA coverage begins March 1, 2009 and lasts for up to 18 months from the date of job loss (in this example, October 1, 2008). She is eligible to receive the subsidy beginning March 1, 2009, and ending November 30, 2009, or until she is no longer eligible because she has access to a new group health plan.

Will the subsidy be available to individuals that elected COBRA, but have since canceled, have not paid or did not initially elect COBRA coverage?

Yes. But again, the subsidy itself is only available for the first period of coverage on or after the enactment date (February 17, 2009) forward.

For example, John Smith was involuntarily terminated on September 1, 2008, elected COBRA coverage during his initial election period, but stopped paying the COBRA premium in December 2008. He receives his new notice in April and elects coverage within the 60 day special election period. His COBRA coverage begins again on March 1, 2009, and lasts for up to 18 months from the date of job loss (in this example, September 1, 2008). He is eligible to receive the subsidy beginning March 1, 2009, and ending November 30, 2009, or until he is no longer eligible because he has access to a new group health plan.

If individuals did not elect during their original election period, but chose to elect once they receive the new notice, when will the coverage begin?

The coverage would be available for the first period of coverage on or after February 17, 2009, which generally would be March 2009. Retroactive coverage will not apply. This special election period opportunity does not apply to coverage sponsored by employers with less than 20 employees that is subject to State law.

If the individual is already on COBRA, will the nine-month subsidy start going forward or will it be retroactive?



COBRA – American Recovery & Reinvestment Act

Important Notice New COBRA information

The subsidy is only available for the first period of coverage on or after February 17, 2009, which generally would be March 2009 for a maximum of nine months.

If a participant already elected and now wants to change his or her coverage (add medical, dental or vision), is that allowed?

Those who have elected and are currently on COBRA will not be given a special extended election period, but will need to certify eligibility. Changes to coverage will follow those allowed by the sponsoring employer for active employees.

What happens when an individual who is receiving the subsidy gains access to a group health plan?

Individuals who are no longer eligible for the subsidy must notify the plan in writing. They are subject to a penalty of 110% of the premium subsidy received while ineligible if they fail to notify the plan as required in the ARRA 2009. Examples of gaining access to a group health plan include being eligible for Medicare, a spouse's group health plan, or a group health plan with a new employer.

Can a participant add dependents without a Life Status Event if they are outside of their original election period?

Generally, no. However, there is an exception for a child born to or adopted by a covered employee during the period of COBRA coverage.

What happens if an individual did not elect coverage when they received their first election notice, and wants to elect during the special election period, but more than 63 days have passed since their job loss?

HIPAA's pre-existing condition exclusion rule (i.e. 63-day break in coverage period) is not used for the period of coverage between job loss and the date of enactment (February 17, 2009) under the Act.

Has the subsidy available under the Health Coverage Tax Credit (HCTC) changed?

Yes. Beginning May 1, 2009, the subsidy will be increased from 65% to 80%. The program also has been extended through December 31, 2010. The HCTC is a provision in the Trade Assistance Act which provides a subsidy to individuals who have lost their jobs due to trade agreements supported by our government.

What additional communications can my company expect from Ceridian?

Ceridian is planning ongoing communications with our customers, including: updates with details of and a timeline for new processes; a sample of the new notice (after guidance is received from the U.S. Department of Labor); information on premium disbursements, as well as changes in current interpretations of this Act after guidance is provided by U.S. Government agencies; and any additional communications needed throughout the period the ARRA 2009 is in effect.



COBRA – American Recovery & Reinvestment Act

Important Notice New COBRA information

Because we will need to deliver new information as quickly as possible, most communications will be delivered via email.

What communications are being provided to my former employees?

Ceridian has updated the participant Web site and IVR to include information on ARRA 2009. We will complete the new notice mailings to individuals on or before April 17, 2009. Upon receiving the response from each individual we will update our records accordingly and begin invoicing those who qualify for their new subsidized premium. Ceridian will also calculate the amount of and coordinate the refund/credit process for amounts due to the individual. If an individual is denied the subsidy, the person does have appeal rights. Appeals will be determined by the Department of Labor. Ceridian will provide the appeal process to your participants. As needed, Ceridian will also call, email or send a letter to individuals requiring additional assistance.

Who can I contact if I have additional questions?

You can contact your Ceridian Relationship Manager directly at your convenience. If your account is managed by our Client Services area, you can call Ceridian at 800-488-8757 or email us at seclientservices@ceridian.com.

To help provide you easy access to all the information regarding the changes to COBRA, we've created a Web portal. To access this portal please [click here](#).