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OKLAHOMA STATE AND EDUCATION EMPLOYEES GROUP INSURANCE BOARD

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March 9, 2009

To State Benefit Coordinators  
RE: COBRA Changes

The American Recovery and Reinvestment Act of 2009 (ARRA) has created major changes to COBRA requirements. ARRA provides a premium subsidy from the federal government of 65% of the COBRA premium for former employees who lost coverage due to involuntary termination. The subsidy applies to nine months of COBRA coverage but will end earlier if the member's COBRA eligibility period ends or if the member becomes eligible for other group coverage, whether or not they enroll in it. The subsidy was effective February 17, 2009, the day the law was signed. For OSEEGIB participants, this means the subsidy is in effect for the March 2009 premiums.

Employers are required to notify all employees who have lost coverage on or after September 1, 2008, of the premium subsidy and to offer an additional election period for employees who did not elect COBRA, or who elected some benefits but not all benefits for which they were eligible to elect under COBRA. The notice is required to be sent to all potential qualified beneficiaries even if they were not involuntarily terminated, because there may be a difference of opinion between the employer and the employee regarding whether the termination was involuntary. OSEEGIB will be sending this notice to all state employees who have left employment on or after September 1, 2008. We are currently waiting on the model notices from the Department of Labor, which are due March 19, 2009. The notice will be sent by OSEEGIB before the deadline of April 18<sup>th</sup>.

ARRA provides that the eligible individual pay only 35% of their COBRA premiums. The employer then recovers the additional 65% as a credit on payroll taxes. This will all be worked out between OSEEGIB and the Office of State Finance. It is understood that because of the short timeframe to implement the change, many COBRA beneficiaries will pay the full premium for March, and possibly April. OSEEGIB will credit the overpayment to future premiums.

Individuals receiving the subsidy are responsible for informing OSEEGIB if they are no longer eligible for the subsidy. If they fail to do so, the IRS will assess them a 110% penalty.

Please be aware that although they may have been involuntarily terminated, high income individuals (\$125,000 single or \$250,000 married filing jointly) are not eligible for the subsidy. They may opt out of the subsidy. If they take the subsidy, it will be recovered upon filing of their income tax return.

OSEEGIB will be placing additional information on the Benefit Coordinator website at [www.sib.ok.gov/bcs](http://www.sib.ok.gov/bcs).

**What OSEEGIB needs from you:**

- Each agency must provide OSEEGIB with a list of all employees who were involuntarily terminated on or after September 1, 2008. The list may be emailed to Cheryl Hendrix at [chendrix@sib.ok.gov](mailto:chendrix@sib.ok.gov). Please send the employees name and employee ID number. This list must be received by OSEEGIB by March 25, 2009.
- On future Qualifying Event (QE) notices, please indicate whether the employee was involuntarily terminated. The QE notice on OSEEGIB's website is being updated to include a place for this indication.
- As always, it is imperative that a QE notice is sent each time an employee leaves employment or has any qualifying event that requires COBRA notification. OSEEGIB cannot perform this function without your timely notification of a COBRA event.

If you have any questions, please check our website or contact HealthChoice Member Services at 1-405-717-8780 (Oklahoma City Metro Area) or toll-free 1-800-752-9475. TDD users should call 1-405-949-2281 (Oklahoma City Metro Area) or toll-free 1-866-447-0436.

Sincerely,

OSEEGIB