



OKLAHOMA STATE AND EDUCATION EMPLOYEES GROUP INSURANCE BOARD

March 5, 2009

To all Participating Groups
RE: COBRA Changes

The American Recovery and Reinvestment Act of 2009 (ARRA) has created major changes to COBRA requirements which will require action on your part. The Oklahoma State and Education Employees Group Insurance Board (OSEEGIB) is offering the following information as a convenience to participating groups. However, each group should rely on its own legal counsel in administering COBRA.

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. There are many specific issues that must be covered in the notice. The Department of Labor (DOL) is required to provide a model notice by March 19, 2009. Check the DOL website for the model notice. Once the DOL model has been provided, OSEEGIB will be making any appropriate updates to COBRA forms currently on our website for your use.

ARRA provides that the eligible individual pay only 35% of their COBRA premiums. The remainder is paid to the carrier by the employer. The employer then recovers the money as a credit on payroll taxes. The law was not designed in a way that lends itself to OSEEGIB's current role in regards to directly billing COBRA beneficiaries. OSEEGIB has been in discussions with the federal government as well as with other state plans in similar situations, and we are awaiting further guidance. OSEEGIB's desire is to continue to directly bill COBRA beneficiaries, and we will make every effort to find a way to do so, if possible. Watch for further updates from us on this issue.

It is understood that because of the short timeframe to implement the change, many COBRA beneficiaries will pay the full premium for March. OSEEGIB will credit the overpayment to future bills.

OSEEGIB will be posting the portion of the ARRA that pertains to the COBRA premium subsidy on the Insurance Coordinator website www.sib.ok.gov/ics for your reference. Some additional resources are listed below:

- Text of ARRA – <http://thomas.loc.gov>
- News and articles, seminars and webinars – www.infinisource.net
- Draft of revised Form 941 – www.irs.gov
- Department of Labor – www.dol.gov

Sincerely,

OSEEGIB