

# Agent Update



## *An Update From BlueChoice HealthPlan Sales/Marketing*

**April 9, 2009**

### **ADDITIONAL STATE CONTINUATION SUBSIDY INFORMATION**

The purpose of this bulletin is to provide additional information on how the COBRA premium subsidy affects state continuation coverage, and how BlueChoice HealthPlan will assist your groups with these changes.

The American Recovery and Reinvestment Act of 2009 (ARRA) was signed into law on February 17, 2009. The purpose of the Act is to assist eligible individuals who are involuntarily terminated in maintaining their health care coverage by reducing their COBRA premium payments. Groups with less than 20 employees and church groups are not eligible for COBRA, however, state continuation provides similar coverage for these groups. Employees electing state continuation can take advantage of the COBRA premium subsidy as outlined in the ARRA.

#### **State Continuation**

Federal agencies have emphasized that only employees who meet all of the conditions below are eligible for the premium subsidy:

- Involuntary termination of the covered employee.
  - Involuntary termination, while not clearly defined, is generally considered to be a termination as the result of an employer action. Dependents that lose coverage due to qualifying events other than the termination of the covered employee are not eligible for the premium subsidy (example, divorce or dependent aging off group coverage). The death of the covered employee is a qualifying event for COBRA, but is not considered an involuntary termination that would allow the dependents to receive the premium subsidy.
- Employee and/or dependents must be eligible for COBRA or state continuation.
- Both the loss of employment and the loss of coverage must occur between September 1, 2008 and December 31, 2009.

State continuation groups are not eligible for the extended election period (or a second election period). Employees eligible under state continuation must elect coverage to begin upon eligibility. Premiums due March 1, 2009 and after may be eligible for subsidy assistance. For example, if the employee was terminated on January 15, 2009, state continuation coverage would begin February 1, 2009 and end July 31, 2009. Premiums beginning March 1, 2009 would be subsidized. Therefore, the employee must pay the full premium for February.

## **What We Will Do**

When a group notifies BlueChoice HealthPlan that an employee has been terminated, we will send a State Continuation Coverage Election Packet to the employee advising the employee of his or her rights. If an employee indicates he or she wishes to continue coverage under this program, we will ask the employer to attest that the employee qualifies for a subsidy under the law within two business days of our request. If the employee is eligible for this subsidy, we will bill the employee directly for his or her portion of the premium, which is equivalent to 35 percent of the total premium. The group is not allowed to pay the employee's portion of the premium. If the group does so, the employee is no longer eligible for the subsidy.

## **Recent Changes and Clarifications**

Please note that information about this law is changing as the Department of Labor (DOL) and the Internal Revenue Service (IRS) issue their guidance documents. Here are the important changes:

- The guidance documents clarified that employees may receive subsidy assistance on any coverage for which an election may be made – i.e., health, including dental and/or vision. The only exception is health coverage provided under a flexible spending arrangement (FSA). Coverage provided under an FSA is not eligible for the premium subsidy, nor may an employee elect only dental or vision coverage without including health coverage.
- Employees will have the right to appeal and receive a decision from DOL or the Department of Health and Human Services (HHS) within 15 days if the employer refuses to provide the subsidy. State continuation employees appeal through HHS.

## **Reminders**

Please remember:

- BlueChoice HealthPlan will administer direct billing for members electing coverage under state continuation only. All other billing methods will remain the same.
- The members on the state continuation plans are still members of the group plan. Should the group be cancelled for delinquency, these members will be cancelled as well.
- Contents of the State Continuation Employee Packet can be found on our Web site, <http://www.bluechoicesc.com>. Select Forms, under the Agents, Group Administrators or Members section.

As we all move through the learning process with this new law, we know you will have questions about how this law applies to your groups and their employees. Other sources of information are the DOL and IRS Web sites, listed below for your convenience. You can also continue to contact your BlueChoice HealthPlan Marketing Representative or our Agent Hotline at 1-866-280-0766 for assistance.

Department of Labor – <http://www.dol.gov/ebsa/cobra.html>

Internal Revenue Service – <http://www.irs.gov/newsroom/article/0,,id=205376,00.html>