

## **SUMMARY OF THE COBRA PREMIUM REDUCTION PROVISIONS UNDER ARRA**

An extension of the American Recovery and Reinvestment Act (ARRA) into 2010 gives “Assistance Eligible Individuals” the right to pay reduced COBRA premiums for periods of coverage beginning on or after March 1, 2009 and can last up to 15 months.

To be considered an “Assistance Eligible Individual” and get reduced premiums you:

- ◆ MUST be eligible for continuation coverage at any time during the period from September 1, 2008 through May 31, 2010 and elect the coverage;
- ◆ MUST have a continuation coverage election opportunity related to an involuntary termination of employment that occurred at some time from September 1, 2008 through May 31, 2010;
- ◆ MUST NOT be eligible for Medicare; AND
- ◆ MUST NOT be eligible for coverage under any other group health plan, such as a plan sponsored by a successor employer or a spouse’s employer.\*

Assistance eligible individuals whose continuation coverage was discontinued following the expiration of their nine-month subsidy period have the right to pay back premiums and be retroactively reinstated. To qualify for reinstatement, the individual should contact the Health Benefits Bureau of the Division of Pensions and Benefits immediately to arrange for the payment on any back premiums.

Assistance eligible individuals who maintained continuation coverage by paying the full COBRA premium after the nine-month subsidy period will have their COBRA bill adjusted to reflect the subsidy amount. Individuals who reached the end of the reduced premium period before the subsidy extension will receive a credit for any overpayment due on a future bill.

### **IMPORTANT**

- ◆ If, after you elect COBRA and while you are paying the reduced premium, you become eligible for other group health plan coverage or Medicare you MUST notify the plan in writing. If you do not, you may be subject to a tax penalty.
- ◆ Electing the premium reduction disqualifies you for the Health Coverage Tax Credit. If you are eligible for the Health Coverage Tax Credit, which could be more valuable than the premium reduction, you will have received a notification from the IRS.
- ◆ The amount of the premium reduction is recaptured for certain high income individuals. If the amount you earn for the year is more than \$125,000 (or \$250,000 for married couples filing a joint federal income tax return) all or part of the premium reduction may be recaptured by an increase in your income tax liability for the year. If you think that your income may exceed the amounts above, you may wish to consider waiving your right to the premium reduction. For more information, consult your tax preparer or visit the IRS webpage on ARRA at: [www.irs.gov](http://www.irs.gov).

General questions regarding COBRA coverage under the SHBP/SEHBP can be addressed to the Division of Pensions and Benefits, Office of Client Services by calling (609) 292-7524 or by sending e-mail to: [pensions.nj@treas.state.nj.us](mailto:pensions.nj@treas.state.nj.us).

If you are denied treatment as an “Assistance Eligible Individual” you may have the right to have the denial reviewed. For more information regarding reviews or for general information about the ARRA Premium Reduction go to: [www.dol.gov/COBRA](http://www.dol.gov/COBRA) or call 1-866-444-EBSA (3272)

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\* Generally, this does not include coverage for only dental, vision, counseling, or referral services; coverage under a health flexible spending arrangement; or treatment that is furnished in an on-site medical facility maintained by the employer.