

Federal Stimulus Package: Help with Health Insurance Premiums

The American Recovery and Reinvestment Act, commonly called the Stimulus Plan, includes money to provide short-term help paying health insurance costs for some Kansans who recently lost their job or who will lose their job in the coming months.

What is it?

- The program helps pay the monthly health insurance premium for individuals who involuntarily lose their jobs and qualify under federal COBRA law or Kansas' state continuation law to continue their employer's health plan for them and their family members. Normally, terminated employees must pay the full cost.
- With this program, individuals pay 35 percent of the health insurance premium. For those receiving coverage under the Kansas continuation law, the insurance company pays 65 percent and seeks reimbursement from the federal government. For those receiving coverage under the Federal COBRA law, the 65 percent subsidy is generally handled through the employer.
- This subsidy has been extended to 15 months.

Who is eligible for the subsidy?

- Individuals who lose group health insurance because of an **involuntary termination** between September 1, 2008, and March 31, 2010, are eligible for a 65 percent federal subsidy of their federal COBRA or state continuation coverage premiums for up to 15 months.
- Job loss must be involuntary. People who quit their jobs are not eligible.
- **Full subsidy:** Individuals with modified adjusted gross incomes of less and \$125,000 (\$250,000 for joint filers).
- **Partial subsidy:** Individuals with modified adjusted gross income between \$125,000 and \$145,000 (\$250,000 and \$290,000 for joint filers).
- **No subsidy:** Individuals with modified adjusted gross income greater than \$145,000 (\$290,000 for joint filers).
- **Note:** if an individual takes advantage of the subsidy and in the same year exceeds the income limit, he or she must repay the subsidy.

What are the health insurance features?

- The health insurance plan is the same plan you had with your employer.
- If your employer offers more than one health plan, the employer can give you the option to select a cheaper insurance plan than you had when you worked for the business.
- You will not have to wait to have existing medical conditions paid for by insurance if you participate in the new subsidy program and you previously met your pre-existing condition exclusion period.

How to get this help if you qualify under COBRA

(Employers with 20 or more employees)

- If you lost your job on or after September 1, 2008, your previous employer must send notice to you by mid-April or print out the notice at <http://www.dol.gov/ebsa/COBRAModelNotice.html>

- You have **60 days** after you get the notice to decide if you want to participate.
- If you are already enrolled in COBRA, you are eligible for the subsidy starting February 17, 2009. If you paid the full premium after this date, you can get a refund or credit for 65 percent of what you paid.
- You will not be reimbursed for premiums paid before February 17, 2009.

How you get this help if you qualify for Kansas state continuation?

(Employers with less than 20 employees or other employers not subject to COBRA)

- Let your employer know immediately that you want to continue your health insurance.
- If you are already enrolled in state continuation, you are eligible for the subsidy starting February 17, 2009. If you pay the full premium after this date, you can get a refund or credit for 65 percent of what you paid.
- You will not be reimbursed for premiums paid before February 17, 2009.
- The employee must give the insurance company their social security number and provide attestation that the termination of employment was involuntary.

If you receive a subsidy, what do you need to know?

- You must tell your previous employer or insurance company, if you are eligible for any other group health plan or Medicare. These events end your subsidy.
- If you do not give notice, you may get a tax penalty.

Example: COBRA employee

For years, Susan’s employer-based health insurance covered her, her husband and their child. She was laid off in December 2008. She got a letter explaining that under federal COBRA law, she could continue her employer plan but she would have to pay the full costs – \$1,000 per month. She could not afford this. Now, with the stimulus help, she will get another notice giving her a “second chance” to continue her employer’s health plan. This time, she will pay \$350 monthly for her family’s insurance and her employer will pay \$650. Her coverage would begin March 1. Susan has asthma and her plan must cover this condition as soon as she resumes her insurance. If Susan finds the \$350 is too steep, she can continue coverage for some members of her family but not for other.

Meanwhile, she is looking for a new job. If she finds a job and becomes eligible for the new employer’s insurance before her nine months of stimulus help is up, she must immediately report that to her former employer.

Note: Rules governing eligibility for subsidized COBRA differ from rules governing eligibility for unsubsidized COBRA. Eligibility for unsubsidized COBRA ends only when a beneficiary enrolls in new group coverage or Medicare. However, simply being eligible for new group health coverage disqualifies an individual from receiving the COBRA subsidy. If you willfully neglect to notify your former employer of your eligibility for a new group health plan, you may be required to repay 110% of the subsidy to the federal government.

Example: state continuation employee

Joe lost his job in a small business in January 2009. He paid the full, \$500 monthly premium in January and again in February to keep his employer health plan. Starting March 1, he was eligible for the 65 percent subsidy, meaning his insurance will now cost \$175 a month. Joe is able to keep his employer plan for 18 months, or through June 2010 (a total of 18 months after he first lost his job) but Joe is only eligible for subsidy assistance for 15 months (through April 2010). Beginning in December 2009, Joe would go back to paying the full \$500 monthly premium.

Questions?

The Kansas Insurance Department: the consumer assistance representatives can be reached at 1-800-432-2484 or email your question or concern to commissioner@ksinsurance.org.

The U.S. Department of Labor: find information at <http://www.dol.gov/ebsa/cobra.html>

For questions, contact the Department of Labor at 866-444-3272 or visit the agency's website at <http://www.dol.gov/ebsa/COBRA.html>.

Information regarding COBRA and Kansas continuation

COBRA: This federal law allows employees who lose their job to continue their employer health plan for 18 months. It applies to employers with 20 or more employees. You may be eligible for COBRA if you divorce, separate, or the working spouse dies.

Your insured children who become too old to qualify for your employer insurance are eligible for COBRA. COBRA coverage for some can be extended up to 36 months.

Kansas State Continuation: The state program allows employees who lose their job to continue their employer health plan for 18 months. It applies to employers with fewer than 20 employees. The employee is not eligible for state continuation if termination is due to failure to pay premiums.