

**Vermont Department of Banking, Insurance, Securities &  
Health Care Administration**

**COBRA and state continuation coverage subsidies under the Stimulus Plan**

**Questions and Answers**

The American Recovery and Reinvestment Act commonly known as the Stimulus Plan was enacted on February 17, 2009. This new law may provide a 65% reduction in the cost of COBRA and other state group continuation coverage for workers who lose their jobs. This document provides answers to frequently asked questions how the Stimulus Plan could affect Vermonters.

***What are Group Continuation Laws?***

In Vermont, there are two types of continuation laws that give employees who lose their group coverage the opportunity to continue their employer-based health insurance. (1) The Consolidated Omnibus Budget Reconciliation Act (“COBRA”) is the federal law that covers employers with twenty or more employees. (2) Vermont statutes require employers of any size to provide continuation coverage. Without the Stimulus Package the Employee is typically required to pay the total cost for continuation coverage.

***Who is Eligible for Subsidized Coverage under the Stimulus Plan?***

Employees who, between September 1, 2008 and December 31, 2009, lose or have lost group health coverage because of an involuntary termination for other than gross misconduct, are eligible for a 65% subsidy of their COBRA for up to 9 months or Vermont continuation coverage premium for up to 6 months. The subsidy is not available for employees whose modified adjusted gross income in the year they receive the subsidy exceeds \$145,000 for individuals and \$290,000 for couples filing joint tax returns. If an individual exceeds the income limitations, and takes advantage of the subsidy, the subsidy must be repaid. For individuals with adjusted gross income between \$125,000 and \$145,000 or \$250,000-\$290,000 for joint filers, the amount of the premium reduction is reduced proportionately.

***How do I sign up for the Subsidy?***

Employers are required to send forms to former employees so that they can elect to continue their group COBRA coverage and receive the subsidy. Former employees will have 60 days after receiving the forms to enroll. Under Vermont continuation coverage the insurer must provide qualified beneficiaries with an election notice that contains information on how to request treatment as an assistance eligible individual.

***When is the Subsidy effective?***

The subsidy is effective for the first coverage period beginning March 1, 2009 and does not subsidize group continuation coverage prior to March 1, 2009.

***How does the Subsidy work?***

Qualified employees will only be required to pay for 35% of the group coverage continuation premium. For COBRA eligible employees, the employee's former employer will pay the remaining 65% of the group continuation premium. The employer will be reimbursed the 65% of the group continuation premium through a reduction in payroll taxes. Under COBRA continuation coverage, the subsidy is effective for a maximum of nine months or until the employee is eligible for another group plan, or Medicare whichever is shorter.

For Individuals eligible for Vermont state continuation plans, the health insurer providing coverage to the group health plan would get the payroll tax credit once the employee pays the 35 % portion of the premium. Vermont continuation coverage provides for a maximum of 6 months of coverage.

For more information on the tax credit, go to [www.irs.gov](http://www.irs.gov).

***I was involuntarily terminated prior to March 1, 2009 and I did not elect continuation coverage, am I eligible?***

It depends. If you are eligible for COBRA continuation coverage, and were terminated on or after September 1, 2008 and you initially declined to elect group continuation coverage or elected continuation coverage and later stopped paying premiums you will receive notice of an additional opportunity to elect group continuation coverage and receive the subsidy ("extended election period"). You must enroll within 60 days of receiving notice from your former employer. Coverage for eligible individuals who enroll during the extended election period will:

- Begin as early as March 1, 2009
- End on the date coverage would have ended if you had elected group continuation coverage when first eligible. For example if you were involuntarily terminated on September 1, 2008, and did not elect COBRA continuation coverage until the extended election period, COBRA continuation coverage would end on March 1, 2010. The subsidy, however, is only for 9 months and would end on December 1 2009 if you enrolled in COBRA continuation coverage on March 1, 2009.

Vermont continuation coverage requires terminated employees to notify their employer of the election of continuation coverage within 30 days of termination. A former employee who was terminated more than 30 days prior to making the election would not be eligible.

***My employer refuses to provide group continuation coverage or refuses to provide the subsidy. What steps should I take?***

The Department of Labor provides an expedited review of the employer's refusal to allow a worker to elect COBRA group continuation coverage and receive a subsidy. Once an application has been made the Department of Labor has 15 days to make an eligibility determination. Contact the Department of Labor at 1-866-444-3272 or (<http://www.dol.gov/ebsa/COBRA.html>)

***Do pre-existing condition exclusions apply if I have a gap in coverage between termination and continuation of coverage in the extended election period?***

Pre-existing condition exclusions are those provisions in health insurance policies that exclude coverage for medical conditions that you already have when you purchase a policy. They typically apply to non-group and small group plans (plans with at least one and no more than 50 employees).

If you elect COBRA continuation coverage, the period between the date of involuntary termination and the first period of coverage is disregarded for purposes of determining if a gap of more than 90 days has occurred. Therefore pre-existing condition exclusions do not apply.

Vermont continuation coverage must be elected within 30 days of termination so a gap of 90 days cannot occur, therefore pre-existing condition exclusions cannot apply, unless the pre-existing condition was in existence at the time of the involuntary termination.

If however you elect to be covered under Catamount (see below), and a gap of 63 days has occurred between termination and the first period of coverage, pre-existing condition exclusions will apply.

***Is the Subsidy taxable income? Can it affect eligibility for other programs such as unemployment?***

No, the subsidy will not be taxable income and it will not affect your eligibility for other federal or state programs.

***If I am eligible for Catamount does that make me ineligible for the Subsidy?***

No. You are ineligible for the Subsidy if you are eligible for any other group health plan. Catamount is an individual plan and not a group health plan. Therefore, eligibility for Catamount does not affect eligibility for continuation coverage.

***Since I am unemployed and may be eligible for both Catamount and for COBRA or Vermont continuation coverage, which is better for me?***

This is a complicated question that needs to be determined on an individual-by-individual basis. Some of the issues you need to resolve involve whether or not you qualify for Catamount premium assistance, and whether or not you will have pre-existing condition exclusion under Catamount. You should contact [www.greenmountaincare.org](http://www.greenmountaincare.org) for questions about Catamount and the Department of Labor (<http://www.dol.gov/ebsa/COBRA.html>) for questions about COBRA subsidies.

If you have any additional questions or need to speak with consumer services specialist the Vermont Division of Health Care Administration consumer services specialists are available to assist you.

**The Health Care Administration's toll-free help line from within Vermont is:  
1-800-631-7788.**