

February 20, 2009

TO: Iowa Bankers Benefit Plan Employers
From: Chris Wehde
RE: IBBP Health Coverage and the Stimulus Bill

As many of you know, the economic stimulus bill signed this week by President Obama contains a 65% subsidy of COBRA premiums for up to nine months for individuals involuntarily terminated between September 1, 2008 and December 31, 2009. The subsidy goes into effect on March 1, 2009. Outlined below is a summary of the COBRA issues drafted by our legal counsel.

Please note, because the Iowa Bankers Benefit Plan is a self-insured multiple employer welfare arrangement we are waiting for further guidance from the Federal government regarding how the subsidy should be administered in the context of a self-insured MEWA. For example, we are currently unsure if the 65% subsidy is to be paid by the bank-employer or whether the plan must cover the subsidy and seek reimbursement from the Federal government.

Currently, there is very little guidance on the specifics of the new law's COBRA provisions. We anticipate providing you with additional information next week and as it becomes available.

In the meantime, we ask that each bank provide us with a list of individuals who have been involuntarily terminated since September 1, 2008 by Friday, February 27. We will need the involuntarily terminated employee's name, address, social security number, and the date terminated. Please remit to us on bank letterhead and provide a person to contact. Fax the list to our office at 515-286-4369. If you have any questions regarding whether a termination was voluntary or involuntary, please contact us. In addition, please notify us immediately if at anytime between now and December 31, 2009 you involuntarily terminate an employee with coverage through Iowa Bankers Benefit Plan.

In the meantime, you may refer any former employees who contact you about the new law's COBRA provisions to our office at 1-800-258-1415.

IMPORTANT INFORMATION FOR EMPLOYERS ON COBRA

The American Recovery and Reinvestment Act of 2009 signed into law on February 17, 2009 makes significant changes to continuation coverage available to individuals who lose group health plan coverage as a result of involuntary termination. The Federal law refers to this coverage as “COBRA coverage.”

Below is a summary of the law’s new provisions. We will continue to update clients as we receive additional guidance from the Federal government.

Premium Subsidy & Implication for Employers

Individuals who lose group health plan coverage due to an involuntary termination between September 1, 2008 and December 31, 2009 are eligible for a premium subsidy in the amount of 65% of the COBRA premium. Thus, in order to receive continuation coverage under a group health plan, the qualifying individual only has to pay 35% of the applicable COBRA premium. The subsidy applies not only to the employee whose employment was terminated but also to any spouse or dependent that loses coverage under the group health plan due to the employee’s involuntary termination.

Because the Iowa Bankers Benefit Plan is a self-insured multiple employer welfare arrangement we are waiting for further guidance from the Federal government regarding how the subsidy should be administered in the context of a self-insured MEWA. For example, we are currently unsure if the 65% subsidy is to be paid by the bank-employer or whether the plan must cover the subsidy and seek reimbursement from the Federal government.

Currently, there is very little guidance on the specifics of the new law’s COBRA provisions. We anticipate providing you with additional information next week and as it becomes available.

The subsidy begins on the first period of coverage starting on or after February 17, 2009. Since COBRA premiums are typically paid monthly this means the subsidy will start for most individuals on March 1, 2009. The subsidy ends on the earlier of nine months or the date continuation coverage is exhausted. The subsidy may be terminated earlier if the individual becomes eligible for coverage under another group health plan. Individuals who become eligible for coverage under another group health plan during the nine month subsidy period have an affirmative obligation to notify the employer or plan administrator of the additional coverage and face a penalty for failing to provide this notification.

Individuals who pay the full COBRA premium on or after March 1, 2009 but are eligible for the subsidy must be given a refund in the amount of the subsidy or receive a credit in this amount toward future premiums; provided, however, the full credit must be used within 180 days. If the full credit is not used within 180 days then the remaining credit must be returned within 60 days.

High income individuals will have special rules regarding the subsidy. Again we will provide you with additional information when we receive guidance from the Federal government regarding how we need to comply as a MEWA.

Election Periods

In order to receive the subsidy, individuals must affirmatively elect continuation coverage. Individuals who lost group health coverage due to involuntary termination prior to February 17, 2009 but did not elect continuation coverage may elect continuation coverage beginning February 17, 2009 for a March 1, 2009 effective date. The election period continues until 60 days from the date the employer or plan administrator provides notification to the individual of his/her election rights under the new law.

Duration of Continuation Coverage

The new law does not extend the duration of continuation coverage. The date the individual originally lost coverage due to a qualifying event should continue to be used for purposes of determining the duration of the individual's continuation coverage.

An individual who did not timely elect continuation coverage when first eligible can not elect coverage for periods prior to March 1, 2009. Individuals who have a 63 day break in coverage may come back on the group health plan under special enrollment provisions and will not be subject to pre-existing condition exclusions.

Required Notices

Employers must update their current election notices to provide information regarding the premium subsidy. In addition, individuals who were involuntarily terminated between September 1, 2008 and February 17, 2009 and who may have already received an election notice must be provided with another notice outlining the subsidy and the extended election period. These individuals have 60 days from the date they receive this new election notice to elect continuation coverage.

The Department of Labor is to issue model notices by March 19, 2009. IBIS will send out an e-mail notification when the new notices will be available on our website at www.bankers-insurance.com for the health plan administrator to access.

Reports

Anyone seeking reimbursement for premium subsidies will be required to submit reports providing information regarding the employees who qualify for the subsidy and the subsidies paid on their behalf. The reports are to be provided in the time and manner required by the Treasury Department.

Since the subsidy goes into effect on March 1, 2009, employers will need to act quickly in updating their election forms and notifying previously terminated employees of the law's provisions. We anticipate receiving additional guidance from the Department of Labor and Treasury Department in the coming weeks and will update you as information becomes available.