

February 27, 2009

TO:	Iowa Bankers Benefit Plan Employers
From:	Chris Wehde
RE:	IBBP Health Coverage and the American Recovery and Reinvestment Act - ARRA - (Stimulus Bill)

On February 20, 2009, we sent out to all of our participating Iowa Bankers Benefit Plan (IBBP) employers' notice of the COBRA changes contained in the American Recovery and Reinvestment Act (ARRA or the Stimulus Bill). We informed you that the ARRA contained a 65% subsidy of COBRA premiums for up to nine months for individuals who were or will be involuntarily terminated between September 1, 2008 and December 31, 2009.

Although complete information about employer requirements has not been finalized, we have now received some very important information regarding subsidy payments. Please read the information outlined below!

- Only **employees** who were eligible for COBRA because the bank employee was enrolled for health coverage with IBBP, then was involuntarily terminated, are eligible for the subsidy. The time frame for eligibility for the subsidy is September 1, 2008 to December 31, 2009. We have received calls in our office from IBBP employers about employees who were let go for cause. Please note that gross misconduct has never been defined under COBRA so all employees that were involuntarily terminated regardless of reason will qualify for the subsidy. IBIS will provide new notices out on our website at www.bankers-insurance.com as soon as they become available. The involuntarily terminated employees have 60 days from the date the new notices are mailed out to respond.

The Internal Revenue Service released its revised Form 941(Federal Quarterly Federal Tax Return) with instructions that include the COBRA subsidy – see line 12. We have placed this information out on our website at www.banker-insurance.com, under News. Revised forms are also available on the IRS' website under forms and publications.

- **Each IBBP participating employer will have to administer the subsidy. IBBP participating employers will file for reimbursement for the premium subsidy by filing for Federal payroll tax credit.** Individuals who were involuntarily terminated whose modified adjusted gross income exceeds \$\$290,000(for joint filers) and \$145,000 (for all filers) do not or will not qualify for the subsidy with a phase out starting at the modified adjusted gross income of \$250,000 (for joint filers) and \$125,000 (for all other filers).
- The subsidy begins on March 1, 2009 and may last for up to 9 months. A special rule permits employers to collect full COBRA premiums from involuntarily terminated employees for the first two periods (months) of COBRA coverage to which the COBRA premium subsidy applies. However, the employer **MUST**

credit back the overpayment or make a direct payment to the involuntarily laid off employee.

- The subsidy will end immediately upon **ELIGIBILITY** for coverage under a group health plan, subject to the waiting period of the other group health plan.
- If the involuntarily terminated employee did not elect or discontinued COBRA coverage prior to March 1, the earliest effective date he/she can have coverage is March 1, 2009, but the duration or length of COBRA would begin on the effective date he/she would have been eligible to take COBRA when originally offered.
- For IBBP employers who have multiple deductible choices employers may offer the involuntarily terminated employees a different plan deductible option **if the plan has the same or lower premium**. However, a high deductible health plan that is HSA qualified can not be included as an option.

What should an IBBP Employer do right now?

Step 1.

Put together a list of employees that were involuntarily terminated employees that were **eligible** for COBRA from September 1, 2008 to date. Collect addresses and social security numbers. Send IBIS a copy of this information.

Step 2.

Identify those involuntarily terminated employees that are currently enrolled for COBRA and those involuntarily terminated employees that did not enroll for COBRA.

Step 3.

Determine if you have a highly compensated employee who was involuntarily terminated and is not eligible for the subsidy due to income.

Step 4.

Wait for further instructions from IBIS regarding the new COBRA notices.

Step 5.

We are advising all our participating employers to contact their payroll administrators regarding assistance in filing for the subsidy. We have placed the Federal Quarterly Income Tax form out on our website for your reference. We are also advising our employers they should seek advice of their own legal counsel. We have received notice that the Federal government has taken the position that if the employer is voluntarily subsidizing the COBRA premium, the premium subsidy is calculated using the premium that the employee actually pays and not the full premium. Thus, employers might want to consider eliminating their voluntary subsidies for future COBRA electees in light of the government subsidy.

