

## COBRA Premium Subsidy

Under the American Recovery and Reinvestment Act of 2009, certain individuals who are eligible for COBRA continuation health coverage, or similar coverage under state law, may receive a subsidy for 65% of the premium. These individuals are required to pay only 35% of the premium.

The subsidy applies to large group medical and dental plans covered by COBRA, federal and state government plans, and small employer plans of less than 20 full-time employees not covered by COBRA, but may be covered by comparable state laws. For groups of less than 20 full-time employees, check with your State Department of Insurance to determine whether it has a state continuation of coverage provision.

Eligibility: Employees who are involuntarily terminated (except for gross misconduct) between September 1, 2008 and December 31, 2009, and spouses and dependents associated with eligible employees, can receive the premium subsidy if they elect continuation coverage.

Duration: The subsidy continues until the earlier of: 1) nine months, 2) the date the individual becomes eligible for coverage under another group dental plan, or 3) the date COBRA coverage would otherwise end. Individuals must notify the plan when they become eligible for other coverage or financial penalties will be incurred.

Payment and Tax Implications:

**For groups of 20 or more full-time employees** – Delta Dental of Minnesota will bill the employer for 100% of the premium; the employer is responsible for billing the former employee 35% and applying for the 65% subsidy. The employer may recover the subsidy by taking it as a credit on its quarterly employment tax return. Credit is only available after receipt of the 35% premium payment from the individual. Employers and plan administrators may be required to report subsidies to the IRS and to individuals who received them.

**For groups of less than 20 full-time employees** – Delta Dental of Minnesota will bill the employer 35% of the premium. Delta Dental will then apply for the 65% subsidy. Each time you have an employee who qualifies for the subsidy, you must notify Delta Dental by submitting a “COBRA Election Form for ARRA.” This form is available at [www.deltadentalmn.org](http://www.deltadentalmn.org); click on Employers > Forms & Publications. Failure to submit the form may cause processing delays and inaccurate billing.

Note: There are no changes to COBRA eligibility, election, payment processing and reporting.

**IMPORTANT:** For complete information, consult with your tax attorney or financial adviser and/or visit [www.irs.gov](http://www.irs.gov). In the “Search” box, enter “COBRA Health Insurance Continuation Premium Subsidy.”