

KELLY

News You Can Use

QUESTIONS?

If you have any questions, please contact the **KELLY Call Center:**

Monday — Friday
8:30 A.M. — 5:30 P.M.
410-527-3432
888-708-7192

**Kelly & Associates
Insurance Group, Inc.
(KELLY)**

301 International Circle
Hunt Valley, MD 21030
800-972-7227



WWW.KAIG.COM

SG-MARCH09

Economic Stimulus and COBRA Subsidy

On February 17th, 2009, President Obama signed the **American Recovery and Reinvestment Act of 2009 (ARRA)**. The financial stimulus law includes bringing among other things significant changes to COBRA continuation coverage rules and administration.

The COBRA changes will impact all groups that are mandated to offer COBRA or State Continuation. Within 30 days of the effective date of this legislation, the Department of Labor (DOL) must provide a revised Model COBRA Continuation Coverage Election Notice. The Treasury Department is responsible for issuing the employer reporting requirements and procedures for taking the subsidy reimbursements.

We have provided below what we determine are the Ten Most Important Points of the ARRA legislation. Additional information can be found at <http://www.dol.gov/ebsa/COBRA.html>

10 Points To Know About the COBRA Premium Subsidy

1. Provides qualified COBRA participants with a 65% federal subsidy to help cover the cost of continuing COBRA eligible benefits.
2. Subsidy is available for up to 9 months to COBRA participants involuntarily terminated from employment from September 1, 2008 through December 31, 2009.
3. Prior to April 17, 2009 a "Second Chance" election notice will need to be sent to those who would otherwise qualify for the subsidy; but did not elect COBRA during their original election period, or elected and cancelled COBRA coverage.
4. Second Chance subscribers will have 60 days from the date of notification to elect coverage. If elected, coverage will begin on or after the election date and will not be retroactive to original termination date.
5. The subsidy covers all COBRA-eligible Benefits (Medical, Rx, Dental, Vision, etc.) except health flexible spending accounts.
6. Employers will fund the 65% subsidy for all Qualified Beneficiaries that elect and then take a credit for the subsidy amount on their federal payroll taxes.
7. The subsidy is prorated for individuals with Adjusted Gross Incomes (AGI) above \$125,000 single (\$250,000 joint) and will be adjusted on the Qualified Beneficiary's (QB) taxes.
8. The QB is no longer eligible for subsidy when one or more of the following occurs: eligibility for other coverage (including Medicare), the end of the COBRA coverage period based on the original election offering, or after a maximum of 9 months of receiving subsidy.
9. The subsidy is available to all groups mandated to offer COBRA or State Continuation.
10. This legislation does NOT extend COBRA coverage beyond the end date based on the original Qualifying Event date.



Frequently Asked Questions About HSA/HRA Accounts

Q: How much money may be contributed to an HSA?

A: In 2009 the maximum is \$3,000 for an individual and \$5,950 for an individual with dependents. Individuals 55 or older can make "catch-up" contributions of \$1,000. These amounts are subject to increase on a yearly basis.

Individuals who are eligible to participate in an HSA on the first day of the last month of the taxable year – December for most taxpayers – are allowed the full annual contribution (plus catch-up contributions, if 55 or older by year-end), regardless of the number of months that individual was eligible during the course of the year. Mid-year HSA enrollees must remain on an HSA eligible plan for the preceding calendar year. Mid-year enrollees who fail to maintain coverage under an HSA eligible plan for the minimum duration will be subject to taxes and possible penalties on excess contributions.

Q: How much money may be contributed to an HRA?

A: There is no limit to the amount an employer may contribute to an HRA. (An HRA may not be funded, directly or indirectly, through employee salary deductions.) Contributions are not included in the employee's income, nor do employees pay taxes on benefits. Self-employed individuals, Partners and 2% owners are not eligible for HRAs, and certain limitations may apply to highly-compensated participants based on the self-funded health plan nondiscrimination requirements.