



March 24, 2009

MEMORANDUM

To: All Payroll Locations

From: State Health Benefit Plan (SHBP)

Subject: State Health Benefit Plan and the ARRA COBRA Subsidy

This memo is to keep you apprised of the actions that SHBP is taking to satisfy the COBRA subsidy requirements. No action is required by you at this time. SHBP will provide any needed policies and procedures within the next two weeks.

The proposed language below is to provide SHBP the authority and responsibility of managing the COBRA subsidy process.

It relieves each of the 535 SHBP “employing entities,” i.e., payroll locations and benefit managers, from having to create and manage a system to (a) keep track of COBRA benefits and premiums provided to terminated state employees, (b) collect subsidies from the federal government, and (c) process payroll tax offsets, etc. Instead, SHBP would use existing systems to administer the program.

If you have any questions, please contact Mike Woodside at mwoodside@dch.ga.gov.

SHBP and COBRA Subsidy: Proposed Budget Direction Language:

Whereas, the Department of Community Health is the sole Administrator of the State Health Benefit Plan for purposes of collecting COBRA premiums and providing medical continuation coverage pursuant to federal COBRA law; and

Whereas, the American Recovery and Reinvestment Act of 2009 COBRA Premium Reduction rules require the Department of Community Health to provide COBRA coverage to certain “Assistance Eligible Individuals” upon receiving only 35 percent of COBRA premium payment from such individuals;

Therefore, the remaining 65 percent of the SHBP COBRA premium is to be recouped exclusively by DCH as the sole COBRA Administrator of SHBP through adjustments to DCH payroll taxes.

DEPARTMENT OF COMMUNITY HEALTH – Summary of the SHBP COBRA Subsidy
Proposed Implementation (March 23, 2009)

**Budget Direction for State Health Benefit Plan (SHBP) - COBRA Premium Assistance Rules
of the American Recovery and Reinvestment Act of 2009 (ARRA)**

- The COBRA premium assistance rules were intended to help employees who lose employment involuntarily beginning September 1, 2008 through December 31, 2009
- ARRA provides these “Assistance Eligible Employees” the opportunity to purchase COBRA continuation of their medical benefits by paying 35 percent of the full COBRA premium
- The remaining 65 percent of the premium is recouped from the federal government via a credit against payroll taxes
- SHBP is the sole provider of medical benefits for the 535 employing entities throughout the state which participate in the SHBP by law or through contractual arrangements with DCH. These include state agencies, schools and other groups.
- Once an employee terminates employment, the former employee deals exclusively with SHBP for the purposes of continuing medical coverage through COBRA. Once notified of an employment termination, SHBP has the sole responsibility for COBRA administration obligations, including notification of COBRA rights, collection of election forms and premiums and ongoing maintenance of medical coverage.
- In order to:
 1. Ensure that SHBP obtains full reimbursement of the 65 percent COBRA premium that ARRA requires it to “front” to the Assistance Eligible Individual as quickly as possible
 2. Avoid unnecessary burdens on the 535 employing entities that otherwise would be posed by new COBRA administration processes and to
 3. Ensure that multiple employing entities are unable to simultaneously apply for the reimbursement of the same 65 percent of premium payment via credits to payroll taxes (i.e., “double-dipping”),

DCH is requesting language in the budget that designates DCH as the exclusive entity authorized to seek federal reimbursement through its payroll taxes in the amount of the remaining 65 percent of SHBP COBRA premium when the SHBP provides COBRA coverage to an Assistance Eligible Individual who has paid 35 percent of the COBRA premium.