

TO: Local District Commissioners, Medicaid Directors

FROM: Judith Arnold, Director
Division of Coverage and Enrollment

SUBJECT: COBRA Premium Reduction in American Recovery and Reinvestment Act of 2009 (ARRA)

EFFECTIVE DATE: Immediately

CONTACT PERSON: Local District Support:
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This is to inform local districts of the COBRA provisions of the American Recovery and Reinvestment Act of 2009 (ARRA) which provides for a reduction of premiums for health benefits under the Consolidated Omnibus Reconciliation Act of 1985 (COBRA).

Individuals who are eligible for COBRA coverage because of their own or a family member's involuntary termination from employment that occurred from September 1, 2008 through December 31, 2009, and who elect COBRA, may be eligible to pay a reduced premium. Eligible individuals pay only 35 percent of their COBRA premiums and the remaining 65 percent is reimbursed to the employer or health plan through a tax credit. The premium reduction applies to periods of health coverage beginning on or after February 17, 2009, and lasts for up to nine months.

Medicaid Implications:

As a reminder, Medicaid applicants/recipients are required to enroll or maintain enrollment in a health insurance program available through an employer, including COBRA continuation coverage when it is available at no cost to the individual or when it is determined to be cost effective and is paid by the Medicaid program. For more information about COBRA Continuation Coverage, please refer to 91 ADM-53, "COBRA Continuation Coverage Program".

If a district is currently paying or will be paying COBRA premiums during the period of February 17, 2009 through December 31, 2009, the district must obtain documentation of the premium amount the individual is paying for COBRA coverage. If the individual is paying the reduced premium amount (35% of the premium), that is the amount that the Medicaid program will reimburse the individual or the carrier. The 65% of the premium that is paid by the employer or the health plan is not reimbursable by the Medicaid program and is not to be counted as income or a resource to the COBRA individual or his/her family. In determining if the premium is cost effective, use the reduced premium amount if that is the amount for which the individual is responsible.

Additional information about the COBRA subsidy may be found at www.cms.hhs.gov/COBRAContinuationofCov/.