

**North Carolina State Health Plan for Teachers and Employees
Frequently Asked Questions (FAQs)
COBRA Premium Assistance and Reduction in Force Benefits**

Q: What is the COBRA Premium Subsidy Provision in the Stimulus Bill?

A: The American Economic Recovery and Reinvestment Act (ARRA) was signed into law on February 17, 2009 and provides Government-funded COBRA premium assistance (COBRA Subsidy) equal to 65 percent of the COBRA premium to COBRA qualified beneficiaries who were involuntarily terminated for reasons other than gross misconduct (Assistance Eligible Individuals (“AEI”)) between September 1, 2008 and December 31, 2009.

Q: Who is eligible for the COBRA Subsidy?

A: You are considered eligible for the COBRA subsidy if you are an Assistance Eligible Individual (AEI). You are an AEI if:

- you were terminated from your job involuntarily for any reason other than gross misconduct on or after September 1, 2008 and prior to December 31, 2009;
- you are not eligible for other group health plan coverage, including Medicare; and
- you elect to continue the employer-provided coverage under COBRA.

Q: Are the dependents covered on my plan also eligible for the subsidy?

A: Yes, if you had dependents enrolled on your plan at the time you lost employment, they are considered a qualified beneficiary and therefore eligible for the subsidy. This means your spouse (as defined by federal/state laws) and dependent children (as defined by the Plan).

Q: Who is eligible for the Reduction in Force (“RIF”) benefit?

A: According to North Carolina General Statute (NCGS) 135-45.2(8), an employee who was employed for 12 or more months and whose job was eliminated because of a reduction in force and was covered by the State Health Plan at the time of separation from service is eligible for the RIF benefit. The RIF employee shall be covered for a period up to 12 months at no cost to the employee following job elimination.

Q: I was released from my position as part of a RIF. What coverage options do I have?

A: If you were employed for 12 or more months at the time of the RIF, then under NCGS 135-45.2(8) you may be eligible to continue noncontributory coverage for up to 12 months. See your Health Benefits Representative (“HBR”) for additional information.

If you were employed for less than 12 months at the time of the RIF, then you are eligible for the COBRA subsidy. To elect the COBRA subsidy, complete the election forms you receive in the mail and return them to your former HBR.

Q: I was released from my position as part of a reduction in force (“RIF”) and had dependents enrolled on my plan at the time of my RIF. What coverage options do I have for my dependents?

A: Your dependents have the following options:

1. You may elect to cover them under the RIF benefit. You would be responsible for paying 100% of the dependent premium. Your dependents would **not** be subject to the COBRA coverage period, generally 18 months (i.e., they can be covered for longer than the COBRA coverage period) or to the 2% COBRA administrative fee.

2. Any dependents you had enrolled at the time of your RIF are eligible to elect the COBRA subsidy. If your qualified dependents elect the COBRA subsidy then they will be enrolled on a separate COBRA plan and will be subject to COBRA coverage period, generally 18 months. Their first nine months will be subsidized at 65% of their applicable COBRA rate based on who elects COBRA. The premium for the remaining nine months would be 100% of the applicable COBRA rate. Their coverage would end when COBRA ends. For employee-children policies, each child will be enrolled on their own individual COBRA policy. The subsidy will be 65% of the each child's COBRA premium. **Please note, depending on the number of children, continuation on RIF may be less expensive.**

Q: I was involuntarily terminated between September 1, 2008 and February 16, 2009. I originally turned down COBRA coverage because I could not afford it. Can I elect COBRA and receive the subsidy?

A: Yes, if an individual was involuntarily terminated on or after September 1, 2008 and prior to February 16, 2009, and declined *or* lost COBRA coverage due to nonpayment, they may now elect COBRA coverage through a special election period. They will receive a COBRA subsidy offer letter with details on how to elect coverage.

Q: Does the special election period extend the length of COBRA continuation coverage?

A: This special election period does not extend the period of COBRA continuation coverage beyond the original maximum period (generally 18 months from the employee's involuntary termination). COBRA coverage elected in this special election period begins with the first period of coverage beginning on or after February 17, 2009.

Q: How long can an eligible individual obtain the subsidy?

A: You may receive the subsidy for up to nine (9) months. However it may end earlier if you become eligible for Medicare or another group health plan (such as a plan sponsored by a new employer or a spouse's employer).

If you plan to continue your COBRA coverage after the premium subsidy period, you will have to pay the full amount of the COBRA premium. Failure to pay your COBRA premium may result in loss of COBRA coverage.

Individuals paying reduced COBRA premiums must notify their plans if they become eligible for coverage under another group health plan or Medicare. Failure to do so can result in a tax penalty of 110% of the COBRA subsidy.

Q: What individuals may not be eligible for the subsidy?

A: You are **NOT** eligible for the COBRA Subsidy if:

- You have Medicare as your primary coverage;
- You are eligible for coverage under another health benefit plan (such as plan sponsored by a new employer or a spouse's employer)
- You voluntarily terminated (you resigned your position)

Q: If I dropped COBRA coverage after September 1, 2008 because I could not afford the premiums, will it be considered a break in coverage after I choose to continue the subsidized COBRA coverage?

A: No. For those who elect coverage through the special election period, any gap in coverage arising after September 1, 2008, but prior to the ARRA enactment date is not considered a break in coverage for the purpose of HIPAA's creditable coverage rules.

Q: Where can I find further information on the COBRA subsidy?

A: You can visit the U.S. Department of Labor ("DOL") web site at www.dol.gov/COBRA, call an advisor at the DOL at 1-866-444-3272 or speak to your HBR.