

## **FREQUENTLY ASKED QUESTIONS ABOUT CAL-COBRA BENEFITS AND PREMIUM REDUCTION**

### **Q: What is Cal-COBRA?**

A: Cal-COBRA is the California program that is similar to federal COBRA. Federal COBRA (the Consolidated Omnibus Budget Reconciliation Act of 1985) allows certain people to keep employer-provided group health coverage, in cases where they would otherwise lose coverage because of certain events such as divorce or loss of a job. Federal COBRA applies to group health plans sponsored by employers with 20 or more employees and generally lasts for up to 18 months.

Cal-COBRA is different from the federal program in two ways:

- 1) Cal-COBRA applies to employers and group health plans that cover from 2 to 19 employees; and
- 2) It lets you keep your health coverage for a total of up to 36 months. Also, once federal COBRA is exhausted, Cal-COBRA may extend continuation coverage up to a combined total of 36 months of coverage.

Like with federal COBRA, you will be responsible for the entire premium which your employer was paying, plus an additional percentage for administrative costs (up to 10 percent).

Cal-COBRA coverage is also available for dental, vision and other specialized health plans (such as chiropractic coverage), if these plans are provided by the employer.

### **Q: Who is eligible for Cal-COBRA?**

A: Cal-COBRA is available for those employed in a business with two to 19 employees and their covered dependents. Those eligible include:

- 1) Family members of an employee who dies;
- 2) An employee who loses or ends his or her job (and covered dependents);\*
- 3) An employee whose hours are cut (and covered dependents);
- 4) A person divorced from an employee;
- 5) A former dependent of an employee;
- 6) Family members of an employee who enrolls in Medicare.

Cal-COBRA is also available to extend continuation coverage that has ended under the federal COBRA program, for up to an additional 18 months.

\*Cal-COBRA is NOT available for employees who lost their job due to gross misconduct or if the employer goes out of business entirely.

The American Recovery and Reinvestment Act of 2009 (“ARRA”) created a federal subsidy applicable to federal COBRA programs and comparable State continuation coverage programs, including Cal-COBRA. The

federal subsidy makes continuation coverage more affordable for certain individuals who have experienced an involuntary termination of employment.

**Q: Who is eligible for the premium assistance under federal law?**

**A:** ARRA created a federal subsidy applicable to federal COBRA programs and similar State continuation coverage programs, including Cal-COBRA. Under ARRA, eligible persons can have their COBRA or Cal-COBRA premiums reduced by up to 65 percent. This premium reduction also applies to employer-sponsored dental, vision and other specialized health plan coverage.

Any individual (and their covered dependents) who is or was involuntarily terminated from their job between September 1, 2008 and May 31, 2010, and who would otherwise be eligible for coverage under COBRA or Cal-COBRA, is eligible for the premium reduction under ARRA. In addition, individuals (and their covered dependents) whose became eligible for COBRA or Cal-COBRA between September 1, 2008 and May 31, 2010 due to a reduction in hours and who is later involuntarily terminated between March 2, 2010 and May 31, 2010, may also be eligible for premium assistance. However, covered dependents who are the grandchildren, same-sex spouses or domestic partners of the covered employee are eligible for coverage under Cal-COBRA but they are NOT eligible for the premium reduction due to federal law requirements.

**Q: To which health plans does the premium reduction apply?**

**A:** The COBRA premium reduction provisions apply to all group health plans sponsored by private-sector employers or employee organizations (unions) subject to the COBRA rules under the Employee Retirement Income Security Act of 1974 (ERISA). They also apply to plans sponsored by State or local governments subject to the continuation provisions under the Public Health Service Act, and plans in the Federal Employee Health Benefits Program (FEHBP).

The COBRA premium reduction also applies to similar State continuation coverage programs, including Cal-COBRA. The Cal-COBRA premium reduction applies to all group health coverage, including dental, vision and other specialized health plan coverage, provided by “small employers,” with two to 19 employees.

**Q: How long will the premium subsidy last?**

**A:** The premium reduction can last up to fifteen months. However, the reduced premium will 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 continue your Cal-COBRA coverage after you have exhausted your available premium subsidy, you will have to pay the full amount of the premium without the premium reduction.

If you don’t pay the full amount, you will lose your Cal-COBRA coverage.

\*\*Individuals paying reduced Cal-COBRA premiums must notify their plans if they become eligible for coverage under another group health plan or Medicare. If you fail to do so, it can result in a tax penalty.

**Q: How do I apply for Cal-COBRA?**

**A:** If you become eligible for Cal-COBRA, you should receive a notice that says you can enroll in federal COBRA or Cal-COBRA. The notice must include any forms necessary for enrollment. Within 60 days of the date of the notice, you must tell the health plan in writing (on the forms provided to you as part of the notice) that you want to sign up.

**Q: How do I apply for the ARRA premium reduction?**

A: If you leave your job, you will receive notice of your right to elect Cal-COBRA coverage and of the availability of the ARRA premium assistance. This notice must include the forms necessary to apply for the premium reduction and any forms required to verify that you were involuntarily terminated. You may submit these forms with your election materials or separately.

You may also want to contact your plan directly to ask about taking advantage of the premium reduction.

**Q: Are there income limits for receiving the premium reduction?**

A: Yes, if the amount you earn for the year is more than \$125,000 (or \$250,000 for married couples filing a joint federal income tax return), you may have to repay all or part of the premium reduction through an increase in your income tax liability for the year. If you earn over \$145,000 (or \$290,000 for married couples filing a joint federal income tax return) you will be required to reimburse through your tax returns the full amount of the premium reduction. If your income is between \$125,000 and \$145,000 (or between \$250,000 and \$290,000 for married couples filing a joint federal income tax return), the amount you must repay is reduced depending on your income. If you think that your income may exceed the amounts above, you may wish to consider waiving your right to the premium reduction. For more information, consult your tax preparer or visit the IRS Web site for information about ARRA.

**Q: Do I get a payment if I qualify for the premium reduction?**

A: You will not receive a payment. Those eligible for the premium reduction are responsible for paying the health plan 35 percent of the Cal-COBRA premium for each applicable period of coverage. The remaining 65 percent is reimbursed directly to the health plan or insurance company through a payroll tax credit.

**Q: I am already enrolled in Cal-COBRA. How does the premium reduction affect me?**

A. The premium reduction will only affect you if you or your family member was involuntarily terminated from employment between September 1, 2008 and May 31, 2010.

If you are currently receiving the premium subsidy for Cal-COBRA, you may qualify for an extension of that premium subsidy for up to a total of 15 months.

If you exhausted your original 9-month premium subsidy and if you are currently paying the full Cal-COBRA premium rate, you may be eligible for an extension of the premium subsidy for up to an additional 6 months. You will receive either a refund or a credit to your account for any amount you have paid over the subsidized premium amount. In most cases this means that your health plan will apply a credit towards your future premiums. The credit will be in the amount of what your premium reduction would have been had it been in effect as of the date you exhausted the original subsidy (e.g., 65% of the premium for each period of coverage). It is up to the health plan to decide whether the reimbursement will be issued in the form of a credit or a refund.

Your plan will be sending notice of the extension of the premium subsidy. However, you may also contact your health plan directly if you have any questions about the extension or about any reimbursement or credit to your account.

**Q. What if I experienced a reduction in hours in employment and either elected and then discontinued COBRA continuation coverage, or did not make an election at all, and I have since been involuntarily terminated?**

**A.** If you experienced a reduction of hours during the period that begins with September 1, 2008 and ends with May 31, 2010, followed by an involuntary termination of employment on or after March 2, 2010 and by May 31, 2010, you are entitled to a new election period for COBRA or Cal-COBRA coverage. If you elect coverage during this new election period, your coverage and the 15 months of subsidy will start with the first period of coverage after your termination. However, the duration of your COBRA or Cal-COBRA coverage will be calculated beginning from the date of your reduction in hours.

**Q. I stopped paying my premiums when my original 9 months of subsidy was exhausted. Can I still receive the additional 6 months of premium subsidy?**

**A.** Yes. If you stopped paying your premiums when the original 9-month subsidy expired, you will have an additional period of time to submit your premium payments to the health plan at the reduced premium rate. If you submit the reduced premium amount due to your health plan, your coverage will be treated as if you paid your premium payment on time. In order to maintain your coverage, you must submit the reduced premium payment for those periods of coverage after your subsidy expired. In some cases this may be 2 to 3 months of reduced premium payments.

**Q. Do I have to keep my current coverage or can I change to a different health plan or benefit design under ARRA?**

**A.** If you are eligible for the premium reduction, your former employer may allow you to change to a different plan than the plan you had on the last day of employment. However, your former employer is not required to offer you the choice. If they do offer a choice, the following must also apply:

- 1) The premium for the different coverage must be the same or lower than the coverage the individual had at the time of the last day of employment;
- 2) The different coverage must be also offered to active employees; and
- 3) The different coverage cannot be limited to only dental coverage, vision coverage, counseling coverage, a flexible spending account, or an on-site medical clinic.

If your employer allows you to change plans, you must submit your request to change plans within 90 days of the date of your Cal-COBRA election notice.

Even if your employer does not permit you to change coverage under ARRA, you will still be able to switch coverage during your former employer's open enrollment period so long as their active employees are also allowed to switch coverage.

**Q: What can I do if I am turned down for either Cal-COBRA or the premium reduction?**

**A:** If the plan determines that you are not eligible for the premium reduction, you can request an expedited review of the denial. The Centers for Medicare and Medicaid Services ("CMS") will handle appeals for Federal, State, and local governmental employees, as well as appeals related to continuation coverage provided pursuant to Cal-COBRA. CMS has developed an application form that is available at: [www.continuationcoverage.net](http://www.continuationcoverage.net). You may also direct inquiries to [NewCobraRights@cms.hhs.gov](mailto:NewCobraRights@cms.hhs.gov) or call 1-866-400-6689.

The Department of Labor will handle appeals related to private-sector employer plans subject to ERISA's COBRA provisions. These agencies are required to make a determination regarding your appeal within 15 business days after receiving your completed application for review. Contact the DMHC Help Center for more information at 1-888-HMO-2219 or on the Web at [www.healthhelp.ca.gov](http://www.healthhelp.ca.gov).

Appeals to the Department of Labor must be submitted on a U.S. Department of Labor application form. The form is available at [www.dol.gov/COBRA](http://www.dol.gov/COBRA) and can be completed online or mailed or faxed as indicated in the instructions. If you believe you have been inappropriately denied eligibility for the premium reduction, you may wish to speak with an Employee Benefits Security Administration Benefits Advisor at 1-866-444-3272 before filing this form.

**Q: Where can I get more information about Cal-COBRA?**

**A:** Contact the DMHC Help Center for more information at 1-888-HMO-2219 (1-888-466-2219) or on the Web at [www.healthhelp.ca.gov](http://www.healthhelp.ca.gov).

**Q. Where can I get more information about other health insurance options?**

**A:** If you are unable to get coverage because of pre-existing health conditions, contact the **Major Risk Medical Insurance Program (MRMIP)** at 1-800-289-6574 or [www.mrmib.ca.gov/MRMIB/MRMIP.html](http://www.mrmib.ca.gov/MRMIB/MRMIP.html).

If you are income-qualified, you may also be eligible for the Medi-Cal program. You may contact them at <http://www.dhcs.ca.gov/services/medi-cal/Pages/default.aspx>.