



MENTAL HEALTH MATTERS

MONEY MATTERS

HOW THE NEW COBRA PROVISIONS IMPACT YOUR CLIENTS

The new economic stimulus bill, the American Recovery and Reinvestment Act of 2009 (ARRA) provided for significant [changes](#) to COBRA. Consolidated Omnibus Budget Reconciliation Act of 1985.

The new law took effect March 1, 2009 contains provisions that allow employees who declined to continue health insurance coverage at time of termination between September 1, 2008 and December 31, 2009 now have the right to choose to continue the coverage with a government-paid subsidy of the insurance premium.

Prior to the act, an employer paid all or part of group health plan premiums for active employees. A former employee no longer receiving benefits under COBRA was responsible for paying the entire premium amount—the portion of the premium that the individual paid as an active employee and the amount of the contribution made by the employer, plus a potential administrative fee.

Who Qualifies for COBRA

An individual is eligible for the COBRA premium subsidy if he or she:

- Is voluntarily terminated between September 1, 2008, and December 31, 2009;
- Elects COBRA coverage (when first offered or during the Special Election Period)
- Has modified adjusted gross income not exceeding \$145,000 per year (\$290,000 for couples filing jointly) - the subsidy is phased out starting at modified adjusted gross income of \$125,000 (\$250,000 for couples filing jointly)



Special Election Period

Any eligible individual who became eligible for COBRA coverage on or after September 1, 2008, but did not elect to receive COBRA coverage, is eligible for

the COBRA premium subsidy and must be given a second chance to elect COBRA coverage.

Cobra Subsidy

With the new changes, former employees enrolled in their employer's health plan at the time they lost their jobs are only required to pay 35 percent of the COBRA coverage. The remaining 65 percent will be paid by the employer. The employers are entitled to a 65 percent credit of COBRA cost on their payroll tax return, which results in the federal government picking up the subsidy in the end.

What an Employer Should Do

When terminating an employee for any reason obtain and retain written documentation that confirms the reason or reasons for the employee's job separation. An example, perform an exit interview with the departing employee and have the departing employee complete an Exit Interview Form on which they indicate the reason for the job separation.

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IRS RELEASES INFORMATION TO HELP EMPLOYERS CLAIM MEDICAL COVERAGE

The Internal Revenue Services provides employers with detailed [information](#) that will help them claim credit for COBA medical premiums that they pay for their former employees.

Form Preparation

Under the new law, eligible former employees, the COBRA subsidy amount is reimbursed by being claimed as a credit on [Form 941](#), Employer's Quarterly Federal Tax Return.

Reporting and Documentation

Although no additional information relating to the COBRA subsidy is submitted with the Form 941, those claiming the credit must maintain supporting documentation for the credit claimed. Documentation includes:

- Information on the receipt, including dates and amounts, of the assistance eligible individuals' 35% share of the premium.
- Copy of invoice or other supporting statement from the insurance carrier and proof of timely payment for the full premium to the insurance carrier is required under COBRA.
- Attestation of involuntary termination, including the date of the involuntary termination during the period from (September 1, 2008 to December 31, 2009), for each covered employees whose involuntary termination s the basis for eligibility for the subsidy.
- Proof of each assistance eligible individual's eligibility for COBRA coverage at any time during the period from September 1, 2008, to December 31, 2009, and election of COBRA coverage.
- A record of the SSN's of all covered employees, the amount of the subsidy reimbursed with respect to each covered employee, and whether the subsidy was for one individual or two or more individuals.

Subsidy Tax Credit Period

The law became effective February 17, 2009. The eligibility for subsidy will be exhausted by the end of 2010, and Form 941 for the fourth quarter of 2010 will be the last time to take the subsidy credit.

For additional information please visit: www.irs.gov

Employer Action Items

The COBRA provisions became effective for most employer-sponsored health plans beginning March 1, 2009. To that end, employers should have already begun to:

- Revise and update COBRA communication materials.
- Provide written notice as required by the ARRA to individuals who are eligible for the subsidy prior to April 18, 2009.
- Identify individuals entitled to the special enrollment period and provide notice allowing them to elect coverage.
- Implement administrative procedures to provide the subsidy and obtain the payroll tax credit.
- Decide whether to allow eligible individual to change their health plan options.
- Develop procedures to reinstate the 100 percent COBRA premium change if the individual continues to be eligible for COBRA coverage after termination of the subsidy.
- Review severance plans and other agreements that provide an employer paid COB RA subsidy in light of the new government subsidy.

*WELLNESS MATTERS**CONGRESS PLAN INCENTIVES FOR HEALTHY HABITS*

In an effort to make wellness and prevention a part of the national discussion on health care reform, the [Healthy Workforce Act of 2007](#) legislation was recently reintroduced to fight the growing prevalence of chronic disease and improve the quality of life for the 135 million full-time and part-time workers in the United States.

In summary, the "Healthy Workforce Act" amends the Internal Revenue Code to allow employers a 50% tax credit for the costs of providing employees with a qualified wellness program. Businesses can receive the tax credit for up to 10 years by establishing qualified wellness programs.

Statistics reveal the need for wellness programs in the workforce to be imperative.

- The United States has more than 12 million employers and approximately 135 million working adults. Statistics reveal that there is an estimated 142 million Americans overweight or obese; representing 66% of the adult population.
- Obesity costs American companies \$225.8 billion per year in health related productivity losses. An obese employee costs the employer an additional \$460-\$2,500 in medical expenditures and absenteeism annually.
- Chronic illnesses affect more than a third of working-age Americans and the costs associated with chronic diseases account for approximately 75 percent of the nation's annual health care costs.
- Asthma, diabetes and hypertension are associated with 164 million lost work days per year at a cost to employers of \$30 billion.

- Health care costs in the United States doubled from 1990 to 2001 and are expected to double again by 2012.

When implementing a wellness program, there are a few guidelines that an Employer will need to follow in order to take the tax credit. A qualified wellness program is defined as being certified by the Secretary of Health and Human Services and that consist of the following:

- *Health Awareness Component*
- *Employee Engagement Component*
- *Behavioral Change Component*
- *Support Environment Component*

It is believed that by implementing effective workplace policies and programs we can reduce health risks and improve the quality of life for employees. Studies have reported a proven rate of return on investment within 12 to 18 months, ranging from \$2 to \$10 for each dollar invested following implementation of their Wellness Program. For additional information on Wellness Programs, contact The Holman Group.



Note: Employers having an existing wellness program on the date of the enactment of the Healthy Workforce Act will receive three consecutive years of taxable credit.

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Mental health affects all workplaces in a variety of ways. When mental health is supported in the workplace, employers see improved morale and increased productivity. When mental health is ignored, employers see problems with on-the-job concentration, absenteeism & rising healthcare costs.

***The Holman Group is the key to
quality mental health care plans.
For more information, please call
The Holman Group at (800) 321-2843.***