



Corporate, Estate & Financial Planning

**Professional  
Planning  
Associates, Inc.**

215-875-8790 • Fax: 215-875-8745 • [www.proplanners.org](http://www.proplanners.org)

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Dear Employer:

This past Friday evening Congress passed a finalized version of the American Recovery and Reinvestment Act, a \$787 billion economic stimulus bill, which was signed by President Barack Obama late yesterday.

The Act includes major changes to "COBRA" laws, which mandate the continuation of group health coverage for employees experiencing a "qualifying event" - such as the termination of employment - resulting in the loss of that coverage.

Before the passage of this Act, a qualified beneficiary who elected COBRA was wholly responsible for the payment of 100% of his or her COBRA premiums for the duration of the COBRA coverage period. The new Act changes this by allowing employees who were involuntarily terminated from employment between the dates of September 1, 2008 and December 31, 2009 to have 65% of their COBRA federally subsidized for nine months. This includes employees who have already declined COBRA coverage during this period. This subsidy will only be available to participants with a modified adjusted gross income of less than \$125,000 for the taxable year (\$250,000 in the case of a joint return) and will be paid through credits against employers' payroll tax liability. The Act is to become effective immediately. This is the most significant change to COBRA since it was enacted in 1986 and will have a major effect on the administration of COBRA.

There are a number of issues left open for plan administrators to grapple with, for instance:

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These are just a few of the issues left open by this Act, and it will be up to the federal agencies with jurisdiction over COBRA, most notably the United States Department of Labor ("DOL"), to settle them. We expect that specific, comprehensive guidance will be made available soon, as the Act requires that the DOL draft model notices within the next 30 days.

We understand that these legislative changes can be stressful and costly for plan administrators. It's important to remember that these amendments affect all employers who are presently subject to COBRA, which is every employer in the country with 20 or more employees.

We will be monitoring these developments very closely and will make further details available as soon as possible.

Please send me an email or call me at 215-875-8790 with any questions.

Sincerely,

*David S. Waters*

David S. Waters, CFP, RHU, CLU, ChFC

DSW/kab