

Summary of the COBRA Premium Reduction Provisions under ARRA, As Amended

The American Recovery and Reinvestment Act of 2009 (ARRA), as amended on December 19, 2009 by the Department of Defense Appropriations Act, 2010 (2010 DOD Act), the Temporary Extension Act of 2010 (TEA), and the Continuing Extension Act of 2010, provides for reductions in COBRA premiums for certain assistance eligible individuals. "Assistance Eligible Individuals" pay only 35 percent of their COBRA premiums and the remaining 65 percent is reimbursed to the coverage provider through a tax credit. The premium reduction applies to periods of continuation coverage that began on or after February 17, 2009 and lasts for up to 15 months.

To be considered an "Assistance Eligible Individual" and get reduced premiums you:

- MUST have a continuation coverage election opportunity related to an involuntary termination of employment that occurred at some time from September 1, 2008 through May 31, 2010*;
- MUST elect the coverage;
- MUST NOT be eligible for, or covered by, Medicare; AND
- MUST NOT be eligible for coverage, or actually covered, under any other group health plan, including a different plan sponsored by your former employer, a successor employer or a spouse's employer.†

◆ IMPORTANT ◆

- ◇ If, after you elect COBRA and while you are paying the reduced premium, you become eligible for other group health plan coverage or Medicare, even if you do not actually enroll in the other coverage, you MUST notify the AFTRA Health Plan (the Plan) in writing. If you do not, you may be subject to a tax penalty.
- ◇ Electing the premium reduction disqualifies you for the Health Coverage Tax Credit. If you are eligible for the Health Coverage Tax Credit, which could be more valuable than the premium reduction, you will have received a notification from the IRS.
- ◇ The amount of the premium reduction is recaptured for certain high income individuals. 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), all or part of the premium reduction may be recaptured by an increase in your income tax liability for the year. 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 page on ARRA at www.irs.gov.

For general information regarding the AFTRA Health Plan's COBRA coverage, or for specific information related to the Plan's administration of the ARRA Premium Reduction, or to notify the Plan that you are no longer eligible to continue paying reduced premiums, you can contact the Participant Services Department at (800) 562-4690 or write us at PO Box 13681, Newark, NJ 07188-3681.

If you are denied treatment as an "Assistance Eligible Individual" you may have the right to have the denial reviewed. For more information regarding reviews or for general information about the ARRA Premium Reduction go to: www.dol.gov/COBRA or call (866) 444-EBSA (3272).

* The law as amended also provides that an individual who loses coverage as a result of a reduction of hours that is followed by an involuntary termination of employment occurring on or after March 2, 2010 but by May 31, 2010 can also qualify for the COBRA subsidy. In that event, however, the period of continuation coverage is based on the original qualifying event, that is, the reduction of hours, although you do not need to pay the COBRA premiums for the period between the reduction in hours and the involuntary termination. The subsidy applies to individuals who did not make (or who made and subsequently discontinued) an election for COBRA coverage based upon the reduction of hours.

† Generally, this does not include coverage for only dental, vision, counseling, or referral services; coverage under a health flexible spending arrangement; or treatment that is furnished in an on-site medical facility maintained by the employer.