



Federal Legislation Alert: COBRA Subsidy and UI Extended

March 16, 2010

Dear Client:

SCI Companies provides timely and critical information regarding employment regulations that may impact your business. This communication provides you with an overview and highlights of an extended regulation, *Best Practices* recommendations to help your company maintain compliance and additional support and resources should you have questions or concerns.

Overview: Temporary Extension Act of 2010

On March 2, 2010, President Obama signed the Temporary Extension Act of 2010 (H.R. 4691) into law. This Act both *extends* Unemployment Insurance (UI) benefits through April 5, 2010 *and extends and expands* the availability of the Consolidated Omnibus Budget Reconciliation Act (COBRA) subsidy that was enacted under the American Recovery and Reinvestment Act (ARRA).

Highlights: Temporary Extension Act of 2010

This Act contains the following provisions for COBRA and UI:

1. Consolidated Omnibus Budget Reconciliation Act (COBRA)

- **Extended Eligibility:** The period of the COBRA subsidy for "assistance eligible individuals" (AEIs) has been extended from February 28, 2010 to March 31, 2010. Under ARRA, employers must pay AEIs 65 percent of health care premiums to those who lost health care coverage due to involuntary employment termination between Sept. 1, 2008, and March 31, 2010.
- **Clarification on "Reduction in Hours":** Revises the ARRA to clarify that a special election of COBRA is available to individuals who did not make or who discontinued a COBRA election on the basis of a reduction in hours that occurred at any time from September 1, 2008 through March 31, 2010 and who subsequently experienced an involuntary termination of employment on or after March 2, 2010. Note that the period for which such an individual is entitled to this coverage is to be counted from the date of the reduction in hours (not the subsequent involuntary termination). The Act also states that these individuals receive notification of their COBRA special election rights and the availability of the subsidy within 60 days of their involuntary termination.

2. Unemployment Insurance (UI)

- **Emergency Unemployment Compensation (EUC):** The period in which individuals may file applications for Federal EUC has been extended from the current end date of February 28, 2010 to April 5, 2010. Also, the period during which individuals may claim and be paid EUC has been extended from July 31, 2010 to September 4, 2010.
- **Federal Additional Compensation (FAC):** The period during which individuals may qualify for FAC, the extra \$25 weekly benefit amount on state and federal unemployment compensation, has been extended from February 28, 2010 to April 5, 2010. Weekly

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payment to be provided during the phase out period for weeks ending October 5, 2010 instead of August 31, 2010.

- Federal/State Reimbursement: The period during which 100% federal reimbursement for weeks of regular federal extended benefit payments has been extended to April 5, 2010, with the state option to continue the extended period extended from July 31, 2010 to September 4, 2010.

Best Practices Recommendations

With this new rule in place, it is *critical for SCI's Clients to review their existing COBRA and UI administration policies* to ensure compliance with the current guidelines. To help employers maintain compliance, SCI encourages our Clients to:

- Review and Update Communications: All COBRA notices must reflect the new March 31, 2010 subsidy eligibility expiration date.
- Notify: Current COBRA beneficiaries must be notified of their right to extend receipt of the subsidy.
- Identify Eligibility: Individuals whose eligibility may be in a transition stage now where previously these individuals may have had eligibility end or had exhausted coverage.
- Evaluate and Confirm: Administrative measures in place must reflect current compliance with all COBRA and ARRA related policies.

By providing *Best Practice* recommendations, SCI hopes to help you devise solutions for a multifaceted workplace with positive impact on your operations and bottom line.

Additional Support and Resources

Our Service Professionals and SCI's resources can assist you in gaining a better understanding of the new policy and help to identify additional strategies for regulation of the law. You can always count on SCI to help avoid the added time and cost associated in managing your workplace concerns.

Access these websites for further information about the law:

- Regulatory Guidance for COBRA extension from the DOL: www.dol.gov/ebsa/cobra.html
- H. R. 4691 Act: www.dol.gov/ebsa/pdf/HR4691.pdf

All content in this notice is based on current information and supersedes previous communications regarding this topic. If you have any questions or concerns, please contact your assigned SCI Professional.

Sincerely,

SCI Companies