



Questions and Answers Regarding COBRA Subsidy

Employee Benefits Update - February 26, 2009

Following our [February 20, 2009, Employee Benefits Alert](#) regarding the new COBRA subsidy in the American Recovery and Reinvestment Act of 2009, we received some feedback and questions from our clients. We want to take this opportunity to answer three of the most common questions asked and clarify a few key points.

1. **QUESTION:** Is the 65% subsidy calculated on the COBRA premium which includes the 2% administrative fee, or without the administrative fee?

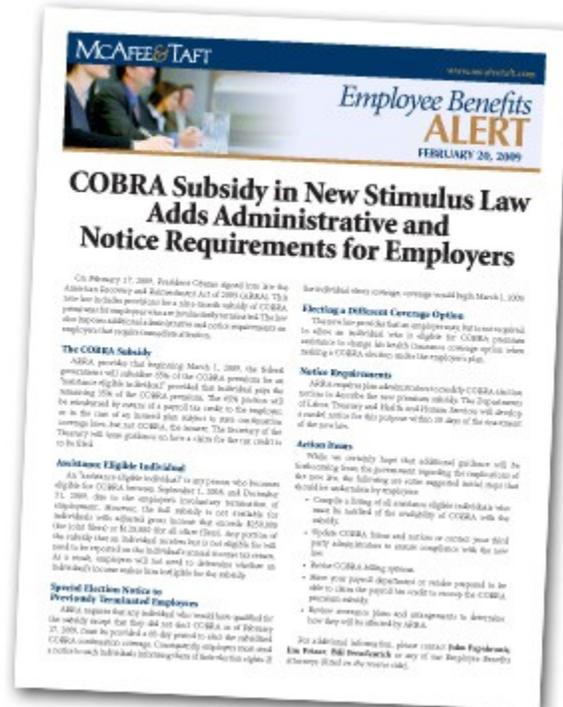
ANSWER: The subsidy is calculated on the COBRA premium including the 2% administrative fee.

2. **QUESTION:** If the employer subsidizes part of the COBRA premium, can there still be a federal subsidy?

ANSWER: Yes, the federal subsidy would be calculated on the remaining amount of the COBRA premium that the qualified beneficiary is required to pay. For example, if the COBRA premium is \$1,000 per month, and the employer is subsidizing \$500, the federal subsidy would be 65% of the remaining \$500 that the qualified beneficiary would otherwise be responsible for.

3. **QUESTION:** Who receives the subsidy reimbursement?

ANSWER: In most cases, the employer is the entity reimbursed by means of a credit against the employer's payroll tax liability. However, if the coverage is provided by insurance under a state continuation coverage requirement comparable to COBRA, the insurer receives the reimbursement.



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