

Date: September 15, 2009

Code: TECHNICAL LETTER
HR/Benefits 2009-02
Supplement #2

To: Human Resources Directors
Benefits Representatives

From: Evelyn Nazario 
Assistant Vice Chancellor
Human Resources Management

Subject: Update: New Consolidated Omnibus Budget Reconciliation Act (COBRA) Premium Reduction Provisions under the American Recovery and Reinvestment Act (ARRA)

Overview

Audience: Human Resources Directors, Benefits Representatives, and/or campus designee(s) responsible for benefits and/or COBRA administration

Action Item: Updated Information

**Affected Employees:
Group(s)/Unit(s):** All employees eligible for COBRA Continuation between September 1, 2008 and December 31, 2009

Summary

The American Recovery and Reinvestment Act of 2009 (ARRA) was signed into law on February 17, 2009, and provides a 65% COBRA Premium Reduction (COBRA Subsidy) of employer sponsored group health plans for a maximum of nine (9) months to employees who are involuntarily terminated between September 1, 2008, and December 31, 2009, and are eligible for COBRA at the time of the termination. Qualified beneficiaries, including eligible family members, pay the remaining 35% of the monthly COBRA premium.

This supplement restates how the COBRA Subsidy should be applied to Lecturers.

Campus designees responsible for COBRA administration should read the technical letter supplement in its entirety.

The purpose of this Technical Letter, Supplement #2 is to restate information on how the COBRA Subsidy under ARRA should be applied to Lecturers.

The ARRA expanded the definition of "involuntary termination" beyond what is normally considered an involuntary termination within the CSU context, particularly when appointing Lecturers. After campus consultation and a review

Distribution:

Chancellor
Executive Vice Chancellor, CFO
Vice Chancellor, Human Resources
Vice Presidents, Academic Affairs
All Campus Vice Presidents

Associate Vice Presidents/Deans of Faculty
Budget Officers
Payroll Managers

of ARRA, Human Resources Management is restating below the criteria campuses should utilize when making COBRA Subsidy decisions as they relate to Lecturer terminations.

Please note: A benefits-eligible lecturer who is involuntarily terminated by the campus prior to the expiration of his/her appointment is eligible for the COBRA Subsidy benefits described in Technical Letter 2009-02. In addition, a benefits-eligible lecturer who is willing and able to accept a new lecturer appointment providing terms and conditions similar to those in the expiring appointment and to continue providing the services, is eligible for the COBRA Subsidy benefits as previously described if the campus does not offer that lecturer a new appointment.

ARRA is very broad in its interpretation of what constitutes an involuntary termination and campuses are referred to Questions and Answers 1-9 of IRS Notice N 2009-27, which was provided as Attachment A in Technical Letter HR/Benefits 2009-02.

Campuses should notify former employees who were denied the COBRA Subsidy who met the above criteria that they are eligible for the COBRA Subsidy. A model letter is provided as Attachment A that campuses may use to notify former employees. If a former employee filed an appeal that met the criteria as restated above, the campus should approve the appeal and enroll the former employee on a retroactive basis with the employee paying 35% of the retroactive premiums and CSU paying 65% of the retroactive premiums.

Common Management Systems (CMS) Processing Instructions

Currently COBRA Administration is not included in CMS Baseline; therefore, there is no impact to the Base Benefits or Benefits Administration (Ben Admin) Oracle/PeopleSoft applications.

General questions regarding this memorandum may be directed to Human Resources Management at (562) 951-4411. This document is also available on the Human Resources Management Web site at: <http://www.calstate.edu/HRAdm/memos.shtml>

EN/pc

Attachment

Date

Dear _____,

On _____, you were sent notification regarding your COBRA rights based on your COBRA qualifying event that occurred on _____. Based on a Chancellor's Office review of the American Recovery and Reinvestment Act (ARRA) regulations, our office has re-evaluated your COBRA qualifying event, and has deemed that you are eligible for the COBRA Premium Reduction (COBRA Subsidy).

If you are already paying COBRA premiums, the health, dental and vision (if applicable) carriers, will be notified of your eligibility. As a result, you may be due a refund.

If you chose not to enroll in COBRA at the time of your separation, you can exercise your right to enroll in COBRA provided you pay your portion of the monthly premium, which is 35% (the CSU will pay the 65% portion on your behalf). To elect COBRA coverage, follow the instructions on the enclosed Election Form and submit the completed form to your [**INSERT CORRECT LOCATION** - *Campus Benefits Office*].

If you have any questions, please contact the Benefits Office.

Sincerely,