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**DATE:** April 28, 2009

**TO:** District Payroll Managers  
K12 School Districts and Community Colleges

**FROM:** Carolyn Nielsen, District Payroll and Retirement Coordinator  
District Fiscal and Administrative Services  
Division of Administration and Business Services  
(951) 826- 6538 / FAX [951] 826-6961

**SUBJECT:** COBRA Continuance Coverage Assistance

The American Recovery and Reinvestment Act of 2009 (ARRA) modified COBRA entitlements to reduce the cost of continuation of health care for certain individuals who lost group health care coverage due to an involuntary loss of employment.

To be eligible for this subsidy, these individuals are required to pay 35 percent of the health care premium. While the subsidy is available to employees terminated starting September 1, 2008, the subsidy is not retroactive. It will apply to group coverage for the period beginning March 1, 2009. The employer may recover the subsidy provided to the assistance-eligible individuals by taking this amount as a credit on their quarterly tax return. The credit is only available to the employer after they receive the 35 percent premium payment from the individuals.

To enable District Fiscal and Administrative Services (DFAS) to report the required COBRA data on the quarterly tax report, certain information is needed from the districts (please use the attached form for this purpose). Each district, as the employer, is required to maintain the following documents to substantiate the transactions for future audits. This includes:

- A detailed copy of invoice or other supporting statement from the insurance carrier and proof of timely payment of the full premium to the insurance company.
- Documentation of receipt of the former employee's 35 percent share of the premium.
- Declaration of the former employee's involuntary termination.
- Other information that is required by law.

If all the requirements are met, DFAS will take credits quarterly. Subsidy received from the Federal Government will be distributed via journal entries. Submission dates to DFAS for the COBRA Subsidy Quarterly Report are due on or before the following dates: July 17, 2009; October 16, 2009; January 15, 2010; April 16, 2010; July 16, 2010; October 15, 2010.

For complete information on the COBRA Continuation Act, please visit [www.dol.gov](http://www.dol.gov) and [www.irs.gov](http://www.irs.gov).

Please contact me at the number stated above if you should have any questions or concerns.

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