

Important Notice

Opting Out of COBRA Premium Subsidy

To: _____
From: Group Health Plan Administrator
Re: Option on COBRA Subsidy
Date:

Under the American Recovery and Reinvestment Act of 2009, employees who have been involuntarily separated from employment from September 1, 2008 to December 31, 2009 (“assistance eligible individuals”) may continue their group health coverage through COBRA for themselves and their dependents at a reduced cost. Those assistance eligible individuals who elect COBRA will only have to pay 35% of the COBRA premium for up to nine (9) months. The government will subsidize the employer for the rest of the premium amount paid by the employer (65%) – this is called the “COBRA Subsidy.”

Under this law, individuals who take the reimbursement right from their employer and who have a modified adjusted gross income of \$125,000 to \$145,000 single filers (\$250,000 to \$290,000 joint filers) or of more than \$145,000 single (\$290,000 joint) will have to repay some or all of the COBRA subsidy back by including the subsidy amount as income when filing taxes, thereby paying taxes on that additional income.

Under this law, however, an individual may notify the employer that he or she does not want to be treated as an assistance eligible individual for the subsidy. The individual would then be required to pay the entire COBRA premium should he or she elect COBRA coverage, but would not need to make an adjustment to his/her taxes. In order for this waiver of the COBRA subsidy to be effective, the individual must:

1. Make a permanent waiver of this right to the subsidy;
2. Advise the group health plan that he or she does not want to be considered an assistance individual eligible for the subsidy.

We believe you should consult with your tax advisor before exercising the right to opt out.

In the event you wish to exercise the right to opt out of receiving the COBRA subsidy because your modified adjusted gross income will exceed the maximum permitted for assistance eligible individuals taking the reimbursement, you may advise us by completing the form below and forwarding it to _____.

Notice to the Group Health Plan of Opting Out of the COBRA Subsidy

To: Group Health Plan Administrator

I _____ have read the foregoing information and understand that it is my right to waive or not waive my being considered an “Assistance Eligible Individual” and allowance to receive a COBRA subsidy. I understand that in making this waiver, I am making a permanent, irrevocable election. I acknowledge that I have been advised by _____ to confer with my tax advisor prior to exercising my right to opt out of the allowance for a COBRA subsidy as an “Assistance Eligible Individual.”

Signed-Dated