



COBRA Subsidy Confusion: eHealthInsurance.com Answers Questions

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eHealthInsurance Answers More Consumer Questions About The New Federal Subsidy For COBRA Insurance

MOUNTAIN VIEW, CA, Mar 25, 2009 (MARKET WIRE via COMTEX) -- eHealthInsurance.com, (<http://www.ehealthinsurance.com>), America's #1 online health insurance source for individuals and families, released a new set of frequently asked questions (FAQ) about the federal subsidy for COBRA insurance in the new American Recovery and Reinvestment Act (ARRA) of 2009. The act includes a 65 percent subsidy on the cost of COBRA premiums for up to 9 months.

Employers are due to notify affected employees starting this week and have until April 18, 2009 to do so. In the meantime, more questions and confusion from consumers about the subsidy are continuing to surface. After publishing a FAQ on the subject on February 19, 2009, eHealthInsurance.com has received hundreds of questions from consumers and employers, via phone and email, related to the subsidy for COBRA insurance and alternatives in the private market for individual health insurance and family health insurance.

The volume of questions has been tremendous, consistent and centered around three key issues.

- Signing-up for the subsidy and subsidy eligibility
- General awareness of the subsidy and additional subsidy resources
- Reimbursement for the subsidy, and tax implications

To address the confusion, eHealthInsurance has provided this FAQ and resources for:

Consumers to:

- Review a new guide of 6 Health Insurance Options for the Uninsured -- Find updated answers to frequently asked questions from consumers about COBRA Insurance online at eHealth's COBRA Learning Center www.cobralearning.com.
- Use a new COBRA subsidy calculator to estimate subsidized premiums and compare them to competitive private health insurance plans.
- Speak with a licensed eHealthInsurance agent at 1-800-977-8860

Businesses to:

- Download resources for employers seeking educational information about alternatives to COBRA and the COBRA subsidy at www.cobralearning.com
- Employers can also email questions and requests to COBRAHelp@ehealth.com

Signing-up for the subsidy and subsidy eligibility

1. Question: How do I receive the subsidy for COBRA?

- a. Answer: The first thing you need to do is be sure you qualify (see eHealth's COBRA Learning Center FAQ). The subsidy for COBRA will be administered through your former employer or benefits administrator. Make sure your employer has your most recent contact information so they can contact you once they're ready to administer the subsidy.
- b. If you qualify for your spouse's plan, another group healthcare plan or Medicare, you're not eligible for the subsidy. If you fail to notify your COBRA plan administrator, you may face tax penalties.

2. Question: If I don't qualify for the subsidy what can I do?

- a. Private health insurance: Those in relatively good health often find less expensive options to COBRA - even with a 65% subsidy - in the private health insurance market. A 2008 survey of 227,000 eHealthInsurance customers showed that half of all individual policy holders paid less than \$130 per month¹ and over half of family policy holders paid less than \$300 per month⁽¹⁾.
- b. Explore public programs: If none of these options are viable for you, the Foundation for Health Coverage Education (FHCE) has an excellent web site and their U.S. Uninsured Help Line that can connect you with publicly-funded programs in your state. Their web site is www.coverageforall.org and their toll-free number is 800-234-1317.

3. Question: When will my employer let me know if I'm eligible or ask me to sign up?

- a. Answer: As of February 17, 2009, your employer has 60 days to notify

you of your eligibility, which means you should receive notice by April 18, 2009.

4. Question: If I want the subsidy, but am not currently enrolled in COBRA, does that matter?

- a. Answer: No, you don't have to be enrolled in COBRA currently to qualify for the subsidy. If you're eligible for the subsidy and lost your job on or after September 1, 2008 through February 16, 2009;
 - i. You'll be eligible for a Special COBRA Election Opportunity: you will have 60 days from the date that your employer notifies you of the opportunity to re-enroll in COBRA.
- b. Answer: If you lost your job on or after February 17, 2009:
 - i. You simply need to sign up for COBRA.
 - ii. If you were offered COBRA, and declined, but now want to accept COBRA due to the subsidy, be sure to contact your previous employer to let them know before the end of your 60-day election period.

5. Question: Does the subsidy in the American Recovery and Reinvestment Act (ARRA) of 2009 apply to my state's COBRA extension program, which requires employers with fewer than 20 employees to provide benefits through COBRA?

- a. Answer: It depends on each state and its COBRA extension program:
 - i. Although COBRA does not apply to companies with fewer than 20 employees, many states have programs that extend COBRA benefits to those who work for companies with fewer than 20 employees.
 - ii. It ultimately depends on the state you're in. Go to www.coverageforall.org or your state insurance commission for more details.

6. Question: If I was fired, does that make a difference?

- a. Answer: The subsidy is available to employees whose employment was involuntarily terminated (for reasons other than gross misconduct) and who are not eligible for health insurance coverage through other group health coverage, such as their spouse's plan or through Medicare. So if you were fired, then you may qualify for the subsidy.

7. Question: When does the clock start for my 9-months of subsidized COBRA?

- a. Answer: For anyone who is eligible for the subsidy, and who lost their job between September 1, 2008 and February 16, 2009, your eligibility starts on March 1, 2009.
 - i. If you lose your job after February 16, 2009, your eligibility for the subsidy begins in the same month that you become eligible for COBRA.
 - ii. Anyone who loses their job after December 31, 2009 will not be eligible for the subsidy.

8. Question: If I voluntarily left my job, or was asked to resign and did so, do I qualify for the COBRA subsidy?

- a. Answer: No. The subsidy is only available for those who meet all of the other enrollment criteria and lost their jobs involuntarily. Unfortunately, a resignation -- even if it was requested and recognized by your former employer as a voluntary resignation -- qualifies as a voluntary termination.

9. Question: How does this subsidy apply to me if my former employer is already paying for a percentage of my COBRA premiums?

- a. Answer: The subsidy for COBRA applies to 65% of what you're currently paying out of pocket for COBRA premiums.
 - i. Assume your monthly COBRA premium is \$500 and your employer was paying \$250 of that cost for you.
 - ii. The 65% subsidy applies to your remaining out-of-pocket expenses; in this case, the \$250 you're still paying for on your own.

- iii. In this scenario, your employer would pick-up an additional 65% of the \$250 (\$162.50(2)) and you would have to pay the remaining 35% (\$87.50(2))

10. Question: I worked for a non-profit organization and lost my job. Am I still eligible? If my former employer doesn't pay taxes, how will they get reimbursed for my COBRA premiums?

- a. Answer: Assuming you meet the other qualifications, you will get the subsidy, even if you were working for a non-profit.
 - i. The subsidy for COBRA is being financed by employers who are, in-turn receiving a pay-roll tax credit for the expense. Any company with employees on a pay-roll pays these taxes -- including non-profits.
 - ii. Every employer that pays the 65% subsidy for COBRA premiums will get to deduct the cost of these subsidies from their pay-roll tax contributions.

11. Question: I was out on disability for nine months, and my employer finally terminated me in February. Am eligible for the subsidy?

- a. Answer: Yes, you qualify for the subsidy so long as you were involuntarily terminated (for reasons other than gross misconduct) and you're not eligible for health insurance coverage through your spouse's plan, or through Medicare.

12. Question: I've lost my job and have also recently been divorced. My ex is still covered on my group plan through COBRA. Do they qualify for this subsidy?

- a. Answer: Yes, as long as they qualify for COBRA under your group plan, and are not eligible for another group plan or Medicare.

13. Question: My children have aged off of my COBRA plan and are now uninsured. Can I put them back on my group plan and get the subsidy?

- a. Answer: No, dependents terminating coverage due to surpassing a policy's age limit will not qualify for the subsidy.

14. Questions: My hours were cut back from full-time to part-time and I lost my group coverage. Do I qualify for a subsidy?

- a. Answer: No. You're eligible for COBRA, but not for the COBRA subsidy because you have not been terminated involuntarily.

General awareness of the subsidy and additional subsidy resources

1. The American Recovery and Reinvestment Act (ARRA) of 2009: Basic information about the portion of the American Recovery and Reinvestment Act (ARRA) of 2009 that deals with COBRA is available online at http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_bills&docid=f:h1enr.pdf
2. The Department of Labor: The Department of Labor's FAQ on this portion of the American Recovery and Reinvestment Act (ARRA) of 2009 is available at <http://www.dol.gov/ebsa/newsroom/fsCOBRAPremiumReduction.html>
 - a. Employer notices
<http://www.dol.gov/ebsa/COBRAModelNotice.html>
 - b. FAQs for Employers on the COBRA Premium Reduction
<http://www.dol.gov/ebsa/faqs/faq-cobra-premiumreductionER.html>
 - c. Expanded FAQs for Employees on the COBRA Premium Reduction
<http://www.dol.gov/ebsa/faqs/faq-cobra-premiumreductionEE.html>
 - d. Updated FAQs for Employees on General COBRA Provisions
http://www.dol.gov/ebsa/faqs/faq_consumer_cobra.html

3. Question: The human resources manager at my former employer's office knows nothing about this subsidy. Why is that?

- a. Answer: There are a few possible reasons.
 - i. The most likely reason is that this stimulus bill is extremely new and some employers are not yet aware of it. As of the week of March 16, 2009, the Department of Labor had sent out guidelines to employers and benefits administrators.
 - ii. Your employer may outsource their benefits administration to

a third party consultant and that benefits consultant may be waiting to see a complete plan before they contact your former employer.

- iii. You or your former company may not offer a group plan that qualifies for COBRA, or the subsidy. Check our COBRA subsidy FAQ

(http://www.ehealthinsurance.com/content/pressNew/Answers_About_COBRA_Subsidy.html) for more details on the subsidy and COBRA.

4. Question: Who can I call if I have questions that I can't answer?

- a. Answer: Start by letting your former employer know you want the subsidy once it's available and make sure they have your most recent contact information so that they can reach out to you once they're set up. If you haven't heard from your former employer/benefits administrator by April 1, 2009, check in on the status of your enrollment. In addition to that, you can also:
- b. Contact the Department of Labor through their National Toll-Free Contact Center at 1-866-4-872-365, TTY: 1-877-889-5627.
- c. Speak to a licensed health insurance agent from eHealthInsurance.com by calling our call-center at 1-800-977-8860. Our agents are staying up-to-date on the subsidy information and can talk to you about alternative coverage options.

Reimbursement for the subsidy, and tax implications

1. Question: I've been on COBRA since January; do I get reimbursed for the 65% for what I've paid so far?

- a. Answer: No, the subsidy is not retroactive.

2. Question: What will I get reimbursed for with this subsidy?

- a. Answer: The subsidy for COBRA covers 65% of the cost for COBRA payments of eligible recipients for 9 months, made on or after March 1, 2009.
 - i. Qualified recipients may not begin to see reimbursements or reduced monthly premiums for COBRA until May or June of 2009.
 - ii. If you paid for COBRA on your own in March and April, and you're otherwise eligible for the subsidy, your employer should reimburse you for those costs; either through a refund or an increased reduction in future premiums until you've recouped your costs.

3. Question: Does the new COBRA subsidy cover anything besides monthly premiums?

- a. Answer: No

4. Question: Is there an income cap on the subsidy?

- a. Answer: Yes, individuals with gross incomes of less than \$124,000 and couples with incomes of less than \$250,000 will qualify for the subsidy.

5. Question: I made \$160,000 in 2008, but I make less than that now that I'm on unemployment. Do I still qualify?

Answer: The income qualifications apply to the 2009 and 2010 tax years. Eligibility for Cobra subsidies doesn't depend on income, but:

- i. If you're 2009 income exceeds \$145,000 for individuals or \$290,000 for families you'll have to pay the government back for the amount you were subsidized when you file your income taxes.
- ii. If your incomes is between \$124,000 and \$145,000 for individuals or \$250,000 to \$290,000 for families, you'll have to repay a portion of the subsidized amount.

6. Question: Is the income limit based on total income or adjusted gross income?

- a. Answer: The income limit is based on a taxpayer's adjusted gross incomes in the 2009 and 2010 tax year.

Footnotes:

(1)SOURCE: eHealth, Inc.'s 2008 report: Cost and Benefits of Individual and Family Health Insurance Plans:

<http://www.ehealthinsurance.com/content/expertcenterNew/eHealthCBreport2008FINAL.pdf>

(2) Calculated using eHealth's COBRA calculator located at www.COBRAlearning.com

About eHealth, Inc.:

eHealth, Inc. (NASDAQ: EHTH) is the parent company of eHealthInsurance, the nation's leading online source of health insurance for individuals, families and small businesses. Through the company's website, <http://www.ehealthinsurance.com>, consumers can get quotes from leading health insurance carriers, compare plans side by side, and apply for and purchase health insurance. eHealthInsurance offers thousands of health plans underwritten by more than 180 of the nation's health insurance companies. eHealthInsurance is licensed to sell health insurance in all 50 states and the District of Columbia. eHealthInsurance and eHealth are registered trademarks of eHealthInsurance Services, Inc.

For more information about individual and family health insurance plans as an alternative to COBRA, please contact:

- A licensed eHealthInsurance agent at 1-800-977-8860
- Or go online to www.COBRAlearning.com

For information about public programs please contact:

- The Foundation for Health Coverage Education (FHCE) at 800-234-1317
- Or go to their web site is www.coverageforall.org

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