

The American Recovery and Reinvestment Act (ARRA) of February 2009 provides a subsidy for COBRA continuation coverage premiums for qualified beneficiaries who were involuntary terminated from employment. ARRA mandates that the employer cover 65% of the COBRA premium while the employee is responsible for 35% of the premium. Initially, coverage was to be for a maximum of nine months for individuals who became jobless between September 1, 2008 and December 31, 2009.

ARRA provides that employers will be issued a credit/reimbursement of their 65% share of the cost of the COBRA premium from the Internal Revenue Service (IRS).

The Department of Defense Appropriations Act of 2010 then amended ARRA to extend the period to qualify for the COBRA premium reduction, as well as extended the maximum period for receiving the subsidy an additional six months (from nine to 15 months). A further bill, the Continuing Extension Act of 2010, extended the period to qualify for the COBRA premium reduction until May 31, 2010.

The Unemployment Compensation Extension Act of July 2010 extended unemployment insurance benefits but failed to extend the COBRA subsidies beyond May 31, 2010. This meant that individuals, involuntarily terminated from their employment after May 31<sup>st</sup>, would not be eligible for the COBRA subsidy.

The City & County of Denver bills the eligible COBRA beneficiaries for the employee portion of the premium, adds in the employer portion, and sends the full monthly premium to the health carrier.

The employer portion of the premium is actually posted to a Fund / Dept ID / Account that is under the Career Service Authority (CSA). This posting of the employer premium has run as high as \$27,000 to a low of \$16,000 per month in 2010. CSA was not appropriated any funding in 2010 to cover the cost of this premium.

The Controller's Office has been billing the Internal Revenue Service on a quarterly basis for the employer portion of the premium. This money is actually brought in as a revenue to the City and deposited directly into the General Fund.

From a top-down perspective, the revenue from the IRS fully offsets the expenditures that the City has made towards the premium. However, as this revenue is deposited straight to the General Fund, the actual expenditures that have been made by the Career Service Authority have not been offset at the agency level.