



STATE OF NEW YORK | EXECUTIVE CHAMBER
DAVID A. PATERSON | GOVERNOR

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GOVERNOR PATERSON PROPOSES LEGISLATION TO ENSURE CONTINUED ACCESS TO HEALTH INSURANCE FOR UNEMPLOYED NEW YORKERS

Federal Economic Recovery Package Provides Subsidy for COBRA Health Insurance Premiums

Bill Will Give Eligible Individuals Who Previously Declined COBRA Coverage a Second Chance to Elect Coverage

Governor David A. Paterson today announced that he has submitted a bill to ensure that New Yorkers laid off by small businesses can qualify for federal benefits that pay up to 65 percent of Consolidated Omnibus Budget Reconciliation Act (COBRA) health insurance premiums. The subsidy, part of the American Recovery and Reinvestment Act (ARRA), is available to individuals who were involuntarily terminated on or after September 1, 2008. However, a change in State law is needed so that all eligible workers laid off by small businesses can access subsidized coverage.

“I want to thank New York’s Congressional delegation for pushing hard to bring these funds to New York,” said Governor Paterson. “The subsidy made available by the federal economic recovery package represents a significant step in the right direction towards improving and expanding access to affordable health insurance for all New Yorkers. However, the need to pass this bill is urgent because we must ensure as many people as possible retain their health coverage. One of the greatest challenges facing the State as a result of the current economic crisis is how we help unemployed New Yorkers retain access to their health insurance. Given the record levels of unemployment announced just last week, we need to move quickly to amend State law to make this subsidy available to as many New Yorkers as possible.”

Superintendent of Insurance Eric Dinallo said: “The Governor’s bill will give employees of small businesses the same access to federal economic recovery funds as employees of big businesses. There is no downside. We must ensure that all New Yorkers who lose their jobs have the ability to access the federal subsidy for health insurance.”

COBRA gives workers and their families who lose their health benefits the right to choose to continue group health benefits provided by their group health plan for limited periods of time under certain circumstances. Under federal law, COBRA generally applies to employers with 20 or more employees, and workers may be charged up to 102 percent of the full health insurance premium. Smaller employers – those who have fewer than 20 employees – are required to offer the same continuation coverage under New York State’s “mini-COBRA” law.

The ARRA that President Barack Obama signed into law on February 17, 2009, makes a subsidy available for up to 65 percent of the cost of COBRA health insurance premiums for employees involuntarily terminated from their jobs between September 1, 2008, and December 31, 2009. The subsidy is available for up to nine months and is administered through a payroll tax credit, meaning that individuals with COBRA coverage will be responsible for no more than 35 percent of premiums. Income limitations apply, with subsidies phasing out for those with annual incomes greater than \$125,000 (for individual taxpayers) or \$250,000 (for those filing a joint tax return).

For individuals who lost their jobs after September 1, 2008, and before ARRA was enacted and who did not initially elect to enroll in COBRA, the federal economic recovery package provides for a “special election period” during which they may enroll in COBRA to take advantage of the new subsidy. However, while ARRA extended the 65 percent premium subsidy to state continuation plans, the Act did not extend a “special election period” to those covered under state “mini-COBRA” continuation laws. The bill proposed by Governor Paterson today amends State law to create such an election period, allowing eligible New Yorkers a second chance to choose mini-COBRA coverage in order to take full advantage of the federal subsidy.

Employers or their health plans must notify eligible individuals of the availability of the subsidy within 60 days of ARRA’s enactment, and individuals must elect coverage within 60 days thereafter. Because of these deadlines, swift enactment of a change in State law is critical. In addition to affording a second chance for the election of coverage under the State’s “mini-COBRA” law, the Governor’s bill will provide that the period beginning on the date that an individual was involuntarily terminated and ending on the date when COBRA coverage starts will be disregarded for the purpose of determining whether a pre-existing condition exclusion period applies.

New Yorkers can contact the Insurance Department for more information about the COBRA health insurance premium subsidy by calling (800) 342-3736 or by accessing the Department’s website at www.ins.state.ny.us. The U.S. Department of Labor has information available regarding the federal subsidy at www.dol.gov/ebsa/COBRA.html.

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