



STATE OF MISSISSIPPI
HALEY BARBOUR, GOVERNOR

DEPARTMENT OF FINANCE AND ADMINISTRATION
KEVIN J. UPCHURCH
EXECUTIVE DIRECTOR

MEMORANDUM

TO: State Agency Human Resource Officers,
State Agency Payroll Officers,
State Agency Financial Officers

L Malatesta

FROM: Leila Malatesta, Director, Office of Fiscal Management

DATE: June 24, 2009

SUBJECT: COBRA Subsidy Payments and Refunds ARRA Stimulus Memorandum #15

The American Recovery and Reinvestment Act of 2009 (ARRA Stimulus) establishes an employer-provided subsidy for employees who were involuntarily separated from employment between September 1, 2008, and December 31, 2009. If these employees elect the COBRA subsidy, they will be responsible for 35% of the premium, and the employer will be responsible for the remaining 65% of the premium for up to nine months. This premium subsidy applies to any group health plan subject to COBRA, including health, dental and vision plans, whether or not the employer pays for a portion of the costs for active employees.

The attached procedures provide instructions for processing SAAS COBRA subsidy payments and providing the supporting documentation required by the Internal Revenue Service (IRS) for amounts reported on Form 941 (Employer's Quarterly Federal Tax Return). The required documentation must be included with the subsidy payments. If documentation is not provided, the subsidy payment will not be processed until this information is submitted to the Department of Finance and Administration (DFA).

COBRA subsidy payments made by an agency in SAAS will be refunded by the IRS via the Statewide Payroll and Human Resource System (SPAHR) Form 941 filed by DFA. The refund process is outlined below:

- The agency will process a COBRA subsidy payment. (See attached procedures.) The Payment Vouchers (PV) should be sent to DFA/BFC ATTN: Barbara Elliott - COBRA.
- A credit for all subsidy payments for the quarter will be taken on Form 941 prepared by DFA and submitted to the IRS. This will create an overpayment.
- DFA will request a refund of the overpayment.

- Once the refund is received from the IRS, DFA will use object code 60139 *ARRA-COBRA Total Subsidy Refund* on a Cash Receipt (CR) to deposit the refund into each fund that paid the subsidy.

Once all subsidy payments and refunds are complete, the total balances of object codes 60137 *ARRA – COBRA Subsidy Other Ins*, 60138 *ARRA – COBRA Health Ins*, and 60139 will net to zero.

Should you have any questions concerning this memorandum, please contact Donna McFarland at 601-359-2923 or mcfarld@dfa.state.ms.us.

DFA will continue to review the Stimulus regulations and will provide more guidance as additional information becomes available.

Thank you for your cooperation and assistance with this matter.

Attachment

LCM: dbm

Mississippi Department of Finance and Administration
Procedures for COBRA Subsidy Payments
Issued June 24, 2009

The American Recovery and Reinvestment Act of 2009 (ARRA) establishes an employer-provided subsidy for employees who were involuntarily separated from employment between September 1, 2008 and December 31, 2009. If these employees elect the COBRA subsidy, they will be responsible for 35% of the premium and the employer will be responsible for the remaining 65% of the premium for up to nine months. This premium subsidy applies to any group health plan subject to COBRA, such as health, dental and vision plans, whether or not the employer pays for a portion of the costs for active employees.

When making an initial subsidy payment for an employee, attach a copy of the employee's Request for Treatment as an Assistance Eligible Individual form forwarded to your agency by Blue Cross Blue Shield of Mississippi (BCBSMS). If you did not receive this form, please contact Barbara Warner at BCBSMS (1-888-249-6132 Ext. 5278). The date of involuntary separation must be written on this form.

Procedures to process COBRA subsidy payments are as follows:

1. Payments for health insurance 65% COBRA subsidy.

- BCBSMS will receive a check from the employee for 35% of the COBRA premium.
- BCBSMS will send an invoice and detail documentation to the agency for the 65% of the COBRA premium.
- The agency will process a SAAS PV payable to vendor number V9916182200 using object code 60138 *ARRA – COBRA Subsidy Health Ins.*
- The agency will send the PV with the invoice and detail documentation attached to **DFA/BFC ATTN: Barbara Elliott - COBRA**. **Attach a copy of the Request for Treatment as an Assistance Eligible Individual form if this is an initial subsidy payment.**

2. Payments for other group health plans, such as dental and vision insurance, 65% COBRA subsidy.

- Employee will write a check payable to the agency for 35% of the COBRA premium. **(Due to reporting requirements established by the IRS, all COBRA payments for dental and/or vision insurance subject to the ARRA COBRA subsidy must be paid to the agency.)**
- The agency will use object code 60137 *ARRA – COBRA Subsidy Other Ins* on a CR to deposit the check in SAAS. Also “ARRA 35% Premium Payment” must be entered in the description field on the CR.

- The agency will process a PV payable to the dental or vision insurance company using object code 60137 for the total premium amount.
- The agency must attach the following information to the PV:
 - a. Employee SSN
 - b. Employee Name
 - c. Date of receipt of 35% COBRA payment
 - d. Amount of 35% COBRA payment
 - e. Coverage type
- The agency will send the PV with attachment to **DFA/BFC ATTN: Barbara Elliott – COBRA**. **Attach a copy of the Request for Treatment as an Assistance Eligible Individual form if this is an initial subsidy payment.**

DFA will replace the invoices, forms and/or detailed information attached to the PV with a form stating the following: *“Confidential protected information – not subject to the Mississippi Public Records Act of 1983.”* These documents will be maintained with the Form 941 documentation.

Agencies should maintain these documents in the Human Resource or Payroll office.

At the end of each month BCBSMS will produce a report (Payment Received – State COBRA Subsidy) and send to each agency that has an employee who has made a 35% COBRA payment during the month. A copy of this report must be sent to:

Mail:

Department of Finance and Administration
 Office of Fiscal Management
 ATTN: Donna McFarland - COBRA
 P. O. Box 1060
 Jackson, MS 39205-1060

Hand Mail:

Department of Finance and Administration
 Office of Fiscal Management
 ATTN: Donna McFarland - COBRA
 701 Woolfolk Building, Suite B

Should you have any questions concerning these procedures, please contact Donna McFarland at 601-359-2923 or mcfarld@dfa.state.ms.us or Brandi Stuart at 601-359-3854 or stuartb@dfa.state.ms.us.