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## **MANAGEMENT ADVISORY #09-015**

**DATE:** May 12, 2009  
**TO:** Agency and University Personnel Officers and Benefit Coordinators  
**FROM:** Suzetta Furlong, Manager  
**SUBJECT:** COBRA Subsidy Update

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### **General Information**

This notice serves to provide an update and answer process questions regarding the COBRA subsidy. For detailed information about the subsidy itself, go to one of the following Web sites: [U.S. Department of Labor](#), [U.S. Department of Health and Human Services](#), or the [Internal Revenue Service](#). For subsidized rate charts for the State Group Insurance Program and other general information, visit our [Web site](#).

### **Notices**

All notices were sent and potential COBRA participants should have received them by now. As part of the termination process, please ask outgoing employees to verify their address in People First and to call the service center if their address changes. If former employees call your office needing a COBRA subsidy notice, advise them to call the service center to request one.

### **Application Process**

The service center established a team dedicated to the COBRA subsidy application process, with 100 percent quality assurance review. This team reviews the applications, looks at the separation code in the system, prepares the appropriate response letter and also checks to see if a refund is due. If so, the refund process is started immediately. All applicants receive a written response. If they are denied the subsidy, the letter tells them how to appeal to the federal government.

### **Eligibility Determination**

As communicated earlier, the People First Service Center can only determine subsidy eligibility by using specific separation reason codes (as entered by the agency in People First). However, the federal government has taken a broad view of "involuntary" to include those whose contract was not renewed. Consequently, code 58 – End of Appointment Period will be added to the following list for eligibility determination:

- Involuntary Separation:
  - 55 – Failed Probationary Period
  - 59 – Dismissal
  - 62 – Abandonment

- Voluntary Separation:
  - 57 – Layoff
  - 58 – End of Appointment Period

In addition, the federal government also indicated that employees who retired rather than be terminated may be eligible for the subsidy. Unfortunately, since no code is available in People First for this type of termination, these subsidy applicants will need to appeal their denial to the federal government, using form [CMS-10285](#).

### **Paying the Subsidy and Receiving the Federal Refund**

#### Warrant/BOSP Agencies

If your agency's payroll is run through BOSP, BOSP will handle all aspects of this process for you. Payment for the subsidy will be made from the BOSP trust fund and agency refunds will be in the form of a quarterly tax credit.

#### Non-warrant Agencies and Universities

DSGI will provide non-warrant agencies and universities with a monthly Collection Summary Report. Your payroll office will journal transfer funds to the DSGI trust fund and will need to follow your employer's process for filing for the quarterly tax credit.