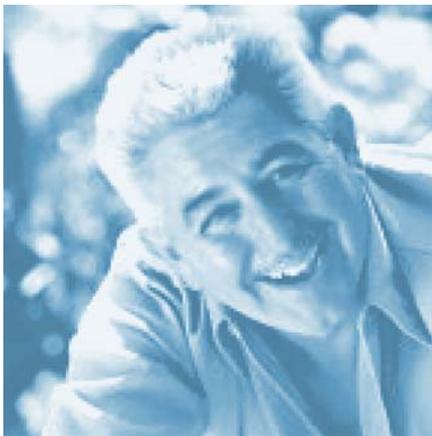# Health Coverage Tax Credit

The COBRA Early Payment Procedural Guide

Version 1.0

HCTC | Health Coverage Tax Credit
Federal • State • Private Industry

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Purpose

To communicate the HCTC Early Payment process to COBRA third party administrators (TPAs).

About HCTC Early Payment

Participating Individuals

Beginning August 1, 2003, the HCTC Program is offering the Early Payment process to individuals currently enrolled in COBRA. Individuals who are about to enroll in a COBRA plan for the first time, or after a lapse, are generally not able to receive the HCTC Advance Pay Option for their first month's health insurance premium.

HCTC candidates will begin receiving HCTC Program Kits in July. The Program Kit contains a cover letter advising individuals of the possibility to receive the HCTC Advance Pay Option for their first month of HCTC registration.

Registration for Payment

Health plan administrators(HPAs) must complete Central Contractor Registration (CCR) to become registered by the Department of Treasury as a vendor, as described in the August 1, 2003 Implementation document. To register, a health plan administrator must complete the CCR form online at www.ccr.gov and provide electronic funds transfer (EFT) information.[1]

Registration with the CCR is necessary in order for HPAs to be paid by the HCTC program, and must be completed as soon as possible. If a HPA does not register with the CCR:

- Individuals cannot complete HCTC registration, and
- a HPA cannot receive HCTC payments

Additional Information

For further information about HCTC and the CCR process please refer to the August 1, 2003 Implementation document located at:

http://www.irs.gov/pub/irs-utl/hctc_health_plan_administrator_guide.pdf.

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[1] The Central Contractor Registry (CCR) was established with a two-fold purpose: for the federal government to comply with the Prompt Payment Act, and to advance the goals of the Paperwork Reduction Act by maximizing the number of electronic payments made by the government. Since it was established, the registry has grown to include federal grant recipients, federal aid recipients, and other federal agencies.

The Department of the Treasury has also concluded that using the CCR is the most efficient way to insure that the funds it disburses are received by the proper parties. Health plan administrators receiving payments from the IRS's Health Coverage Tax Credit program, are not considered to be federal contractors merely because they register with the CCR as a condition of receiving the payments.

How the Program Works
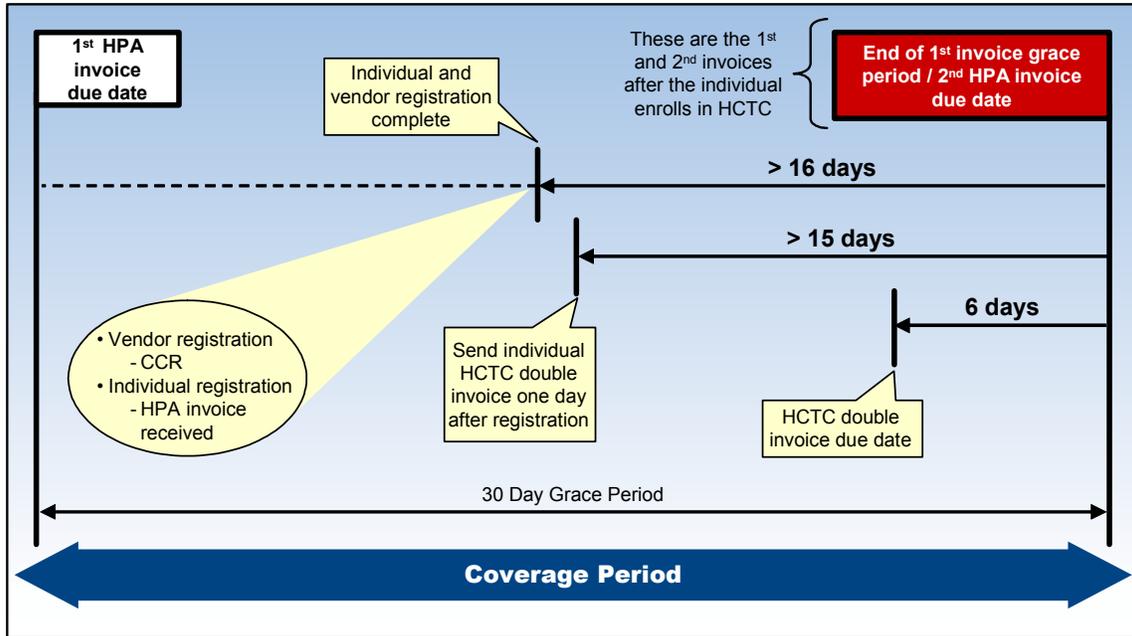
Figure 1. *The COBRA Early Payment Timeframe*

- In order to receive payment from the HCTC program, HPAs must register as vendors with the Department of Treasury by completing CCR online at www.ccr.gov as soon as possible. Refer to the August 1, 2003 Implementation document for details on CCR.

- The individual must complete registration with the HCTC program and the HPA must be registered with the CCR prior to 16 days before the grace period ends for the individual's HCTC eligible month's premium. The HCTC program must receive a copy of the individual's health insurance invoice and validate it, in order for registration to be considered complete.

- If the individual does register with the HCTC program and they can be contacted at least 16 days before the end of their HCTC grace period:

  o The individual will receive an initial invoice from the HCTC program, billing them for two months of coverage.

  o The individual will make one payment equal to two 35% premium payments to the HCTC program in the first month.

  o The HCTC program will add the additional 65% to this payment and forward 100% of the premium amount to the HPA for both months of coverage.

  o A dunning notice is sent for this initial double invoice from HCTC. The individual should make certain that they mail their payment to the HCTC program with sufficient time for the HCTC program to then make the full premium payment to the HPA.

- If the individual <u>does not</u> register with the HCTC program prior to 16 days before the end of their grace period, the HCTC program will not be able to invoice the individual in time to get the payment to the HPA within the grace period. If this happens:
    - According to program guidelines, the individual will make 100% of their premium payment directly to the HPA for this initial HCTC-eligible month within the grace period timeframe.
    - The individual can claim the tax credit for this initial month's premium payment at year-end on their tax return.
    - The HCTC program will again try to double invoice the individual for the following two months' payments, assuming:
        - The individual continues to remain HCTC-eligible,
        - The individual completes registration with the HCTC program,
        - Payment is received by the HCTC program on time to meet that month's billing cycle, and
        - The HPA is registered in the CCR

FAQs on COBRA Early Payment

Question	Answer
1. What happens if a HPA does not register in CCR?	Central Contractor Registration is necessary in order for HPAs to be paid by the HCTC program. CCR must be completed as soon as possible. If a HPA does not register in the CCR, that HPA cannot receive payment from the HCTC program, and the individual cannot complete HCTC registration.
2. Can both initial COBRA enrollees and individuals currently enrolled in COBRA coverage get HCTC COBRA Early Payment?	No. Only individuals currently enrolled in COBRA coverage are eligible for the HCTC COBRA Early Payment.

For additional FAQs, see the August 1, 2003 Implementation document located at:

http://www.irs.gov/pub/irs-utl/hctc_health_plan_administrator_guide.pdf.