

EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210	CLASSIFICATION Trade Reform Act/Health Ins.
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TRAINING AND EMPLOYMENT GUIDANCE LETTER No. 20-02, Change 1

TO: ALL STATE WORKFORCE AGENCIES
ALL STATE WORKFORCE LIAISONS

FROM: EMILY STOVER DeROCCO
Assistant Secretary 

SUBJECT: Policy Guidance for Use of National Emergency Grant (NEG) Funds under the Workforce Investment Act (WIA), as Amended, to Support "Gap-Filler" Payments for Individuals Eligible for the Health Coverage Tax Credit (HCTC)

1. **Purpose.** To provide new policy guidance governing the use of Workforce Investment Act (WIA) National Emergency Grant (NEG) funds at Section 173(f) and (g) to make "gap-filler" payments of qualified health insurance premiums for individuals eligible for the HCTC.

2. **References.**

Workforce Investment Act, Section 173(f) and (g);
 Trade Adjustment Assistance Reform Act of 2002 (Public Law 107-210), Sections 201, 202 and 203;
 Internal Revenue Code of 1986, Chapter 1, subchapter A, part IV, Subpart C;
 Unemployment Program Letter (UIPL) No. 02-03, "Health Insurance Tax Credit for Eligible Trade Adjustment Assistance/Trade Readjustment Allowances (TAA/TRA) Recipients;" dated October 10, 2002;
 Unemployment Program Letter (UIPL), No. 05-03, "Health Insurance Tax Credit for Eligible Trade Adjustment Assistance/Trade Readjustment Allowances (TAA/TRA)/Recipients;" dated November 22, 2002;
 Training and Employment Guidance Letter (TEGL) No. 10-02, "Use of National

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- Emergency Grant Funds under the Workforce Investment Act, as Amended, to Develop Systems for Health Insurance Coverage Assistance for Trade-Impacted Workers," dated October 10, 2002;
- Training and Employment Guidance Letter (TEGL) No. 16-02, "Health Insurance Tax Credit for Eligible Trade Adjustment Assistance Recipients," dated December 3, 2002;
- Training and Employment Guidance Letter (TEGL) No. 11-02, "Operating Instructions for Implementing the Amendments to the Trade Act of 1974 Enacted by the Trade Act of 2002," dated October 10, 2002;
- "Application and Reporting Procedures for Trade Health Insurance Assistance," see 67
- Fed. Reg. 72222 (December 4, 2002);
- Training and Employment Guidance Letter (TEGL) No. 20-02, "Use of National Emergency Grant (NEG) Funds Under the Workforce Investment Act (WIA), as Amended, to Support Health Insurance Coverage Assistance for Trade-Impacted Workers," dated March 3, 2003;
- Training and Employment Guidance Letter (TEGL) No. 2-03, "Interim Operating Instructions for Implementing the Alternative Trade Adjustment Assistance (ATAA) for Older Workers Program Established by the Trade Adjustment Assistance Reform Act of 2002," dated August 6, 2003.
3. **Background.** The Trade Adjustment Assistance Reform Act of 2002 (Act) provides health coverage assistance to eligible TAA and ATAA individuals and to Pension Benefit Guaranty Corporation (PBGC) recipients. The primary mechanism for such assistance is a Federal tax credit administered by the Internal Revenue Service. The tax credit is equal to 65 percent of the amount paid by an eligible individual for qualified health coverage as specified in Section 35 of the Internal Revenue Code. The Act went into effect in December 2002, and the advance tax credit program began on August 1, 2003. Under this program, monthly payments are made directly to a health plan administrator on behalf of participants, allowing them to receive the benefit of the tax credit at the time of need. The Act also created WIA Section 173(f) and (g) to provide NEG assistance to states for infrastructure needs related to HCTC operation and for individual health premium payments.

TEGL 20-02 provided specific policy guidance governing the use of NEG funds for premium assistance and provided procedures for states to access NEG funds for this purpose. The TEGL also indicated that the policies contained therein would be subject to continuing interpretation and refinement.

The purpose of this Change 1 to TEGL 20-02 is to redefine the purpose for which NEG funds under WIA Section 173(f) and (g) can be used.

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4. **Use of NEG Funds for "Gap-Filler" Payments.** The advance tax credit has been available for eligible recipients since August 2003. Before a potentially eligible individual can benefit from the advance tax credit program, an enrollment process must be completed by the Internal Revenue Service (IRS). Experience to date suggests that this process could take from one to three months before an eligible individual receives his/her first advance payment under the program.

This "gap period" is defined as the month(s) required for the IRS to enroll, process and pay a candidate's first payment under the HCTC program. This period is usually one month, but depending on timing and other factors, may take two to three months as indicated above. WIA Section 173(f) and (g) "gap-filler" funds are available to provide assistance during this period of time. NEG funding for gap periods is predicated on the fact that the individual remains eligible for the Health Coverage Tax Credit for all "gap" months.

WIA Section 173(f) and (g) NEG funds can be requested to cover up to three months of gap payments to support 65 percent of the qualified premium for eligible individuals as long as they are available for this purpose.

5. **Requesting NEG Funds for "Gap-Filler" Payments.** The application procedures specified in TEGL No. 20-02, issued March 3, 2003, should be followed in applying for NEG funds for "gap-filler" payments. In estimating the amount of NEG funds needed for "gap-filler" payments, states must consider the following factors:
- (1) The total eligible population equals **prospective** TAA and ATAA participants and the PBGC population (ages 55 to 65). Upon request by a State Workforce Agency (SWA), PBGC will provide the number of potential eligible PBGC pension recipients in a state. The PBGC is also able to provide other information to assist the SWA in publicizing the availability of NEG funds for "gap-filler" payments. For example, the PBGC will provide a breakdown by city or zip code of where the potentially eligible PBGC pension recipients reside in the state, or the names and addresses of the sponsors of the terminated pension plans under which the potentially eligible PBGC pension recipients are entitled to benefits from the PBGC. To obtain this information from the PBGC, the SWA should send its request by fax to the PBGC Disclosure Officer. The fax number is (202) 326-4042.
 - (2) The percentage of the population expected to enroll in the HCTC program. This percentage will depend heavily on the state's efforts to promote the availability of the NEG funds for the gap payments, but more than likely will not exceed 50 percent. Enrollment will be less in states that do not have a state-qualified health plan.

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- (3) The amount to cover 65 percent of the average monthly health insurance premium for a qualified plan in the state. The state insurance department should be contacted for this information. A recommended estimate is \$500 per person.
- (4) The average number of months that someone will need the "gap-filler" payments – approximately two months.

The following is an illustration of the application of the factors described above:

$1,000$ (total annual eligible population) $\times .50 = 500 \times \325 ($.65 \times \$500$) $\times 2$
(average number of gap payments) = \$325,000 in NEG funds for "gap-filler"
payments

States should include funding needed for administration in their NEG applications for "gap-filler" payments. Other costs critical to the effectiveness of the "gap-filler" program, including outreach and other informational activities, should also be included. These costs will generally be limited to 10 percent of the total funds requested. It is very important that states continue to provide information on the HCTC program and the availability of the NEG funds to support the costs of the premiums for qualified health insurance coverage pending the receipt of the first payment from the IRS.

6. **Inquiries.** Questions regarding this transmittal should be directed to Shirley Smith, Administrator, Office of National Response, at (202) 693-3500 or to the appropriate Regional Administrator. State Workforce Agencies can also contact the HCTC Customer Contact Center at (866) 628-HCTC for help in determining the HCTC eligible population. A caller should identify himself/herself as a representative of the SWA and allow for time to receive a final response.

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