



COBRA Subsidy Extended

Insights

2.01.10

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On December 19, 2009, President Obama signed the 2010 Defense Appropriations Bill, which included an extension of the 65% COBRA Subsidy provision originally enacted last February in the Stimulus Bill. The new law affects the COBRA subsidy as follows:

- extends from December 31, 2009 to February 28, 2010 the date which governs eligibility for involuntarily terminated individuals to be eligible for the subsidy;
- extends the maximum subsidy period from 9 months to 15 months;
- gives individuals whose subsidized COBRA coverage has already ended, 60 days from the date of enactment (or 30 days after the notice that is required and discussed in the next point is given, if that is later) to pay the 35% subsidized premium amount and obtain retroactive coverage under subsidized COBRA. If the full premium was already paid for any period after October 31, 2009, the "overpayment" amount can be refunded or credited towards future coverage; and
- requires administrators of group health plans to provide a notice describing the foregoing changes to individuals who were eligible for the subsidy or who experienced a COBRA qualifying event at any time on or after October 31, 2009.

If your company takes responsibility for COBRA compliance and issuing COBRA notices (as opposed to contracting it out to a third party or relying on an insurance company) you now have an action item to complete by February 19, 2010: you must send a notice describing the COBRA changes to all individuals who were eligible for the subsidy or who have experienced or will experience a COBRA qualifying event at any time on or after October 31, 2009 and up until February 28, 2010. This notice should describe:

- the extension of the maximum COBRA subsidy period from 9 months to 15 months;
- the extension to February 28, 2010, of the qualifying date for an involuntary termination entitling the COBRA-qualified beneficiary to the COBRA subsidy as an "assistance-eligible individual";
- the right of qualified beneficiaries whose COBRA terminated after October 31, 2009 (because of a failure to pay the higher, unsubsidized COBRA premium) to reinstate coverage retroactively by paying the subsidized premium (the 35% amount) by February 19, 2010, or by 30 days after the notice is given, whichever is later; and

- the right of assistance-eligible qualified beneficiaries who paid an unsubsidized premium for COBRA for periods after October 31, 2009, to receive a refund or obtain a credit of the overpaid amount. (The administrator can choose the option it prefers – refund or credit).

For model notices visit the Labor Department's [website](#).