COBRA Subsidy Extended Through March 31, 2010

Insights
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On March 2, 2010, President Obama signed into law the Temporary Extension Act of 2010 (H.R. 4691), which amends the American Recovery and Reinvestment Act of 2009 (ARRA). Among other things, the Act extends eligibility for the 65%, 15-month COBRA premium subsidy to individuals who have been involuntarily terminated through March 31, 2010. Without the extension, employees laid off after February 28th would have been ineligible for the subsidy. The law is retroactive, so individuals who were involuntarily terminated on March 1st and 2nd are eligible for the subsidy.

Background

The ARRA, as amended on December 19, 2009 by the Department of Defense Appropriations Act, 2010 (2010 DOD Act) provides for COBRA premium reductions. Eligible individuals pay only 35 percent of their COBRA premiums and the remaining 65 percent is reimbursed to the coverage provider through a tax credit. To qualify, individuals must experience a COBRA qualifying event that is the involuntary termination of a covered employee's employment. The premium reduction applies to periods of health coverage that began on or after February 17, 2009 and lasts for up to 15 months.

What You Should Do Now

Employers and other health plan sponsors should revise their COBRA notices to reflect the new March 31, 2010 subsidy eligibility expiration date.

For more information contact any of the attorneys in our Employee Benefits Practice Group at benefits@fisherphillips.com.

This Legal Alert provides an overview of new law. It is not intended to be, and should not be construed as, legal advice for any specific factual situation.