
Congress extends COBRA Subsidy

Background

On Feb. 13, 2009, Congress passed the American Recovery and Reinvestment Act of 2009.

Impact of COBRA continuation coverage:

ARRA provides for a federal subsidy of 65 percent of the COBRA continuation coverage premiums for qualified beneficiaries receiving COBRA or State continuation coverage due to **"Involuntary termination"** of employment between September 1, 2008, and December 31, 2009. These individuals, referred to as "assistance-eligible individuals" were entitled to receive the subsidy for up to nine months.

Eligible individuals pay only 35 percent of their COBRA or State continuation premiums and the remaining 65 percent is reimbursed to the coverage provider through an **"Employer of Carrier tax credit"**.

On December 17, 2009, President Barack Obama signed an extension of the COBRA subsidy program originally introduced under the American Recovery and Reinvestment Act of 2009 (ARRA).

Provisions extend the eligibility period for the COBRA premium subsidy through February 28, 2010. It also extends the maximum duration of Assistance from 9 months to 15 months.

Impact on State continuation coverage:

The premium subsidy program also applies to group health plans subject to State Continuation or "Mini-COBRA" requirements that are regulated by state departments of insurance. The subsidy period for state continuation will vary by state but cannot exceed 15 months regardless of state continuation rules.

Lawmakers also set the stage for another subsidy extension sometime in the future by making it part of the upcoming Jobs bill.

Highlights of the new provision include:

- The end date of eligibility for the ARRA subsidy Changes from Dec. 31, 2009, to Feb. 28, 2010.
- The ARRA premium subsidy expands to 15 months, increased from original 9 Months.
- Those who have lost their subsidy by completing their nine months in November or later would be grandfathered in under the new legislation.
- Involuntary terminations that occur on or before Feb. 28, 2010, would be eligible for the subsidy, regardless of when the individual's COBRA period begins.
- Special notices are required to notify eligible individuals about the expansion to 15 months.

Let us know if you have any questions.

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