

COBRA Subsidy Extension

TO: Employer Groups

DATE: January 12, 2010

RE: COBRA Subsidy – Extension of Benefits

This information is provided to you for informational purposes only.

The President has signed the Fiscal Year 2010 Defense Appropriations Act. The act included legislation that extends the eligibility period for the ARRA premium reduction for an additional two months [through February 28, 2010] and the maximum period for receiving the subsidy for an additional six months [from 9 to 15 months].

- The extension imposes new notice requirements on group health plans to alert individuals who were eligible for the subsidy at any time on or after October 31, 2009, or who experience a qualifying event on or after October 31, 2009 of the COBRA subsidy expansion within 60 days after the date the bill becomes law [December 21, 2009].
- The new legislation provides a 2-month extension of the eligibility date for the COBRA subsidy, from December 31, 2009 to February 28, 2010. The legislation also increases the length of the COBRA subsidy for a total of 15 months [an additional 6 months]
- The legislation also provides an opportunity for individuals who failed to pay their COBRA premium because they were unable to pay the full COBRA premium after their subsidy expired, the opportunity to retain their COBRA coverage at the reduced subsidy rate. Since a group health plan has up to 60 days to notify these individuals of the new options, their COBRA coverage may lapse, but they would be entitled to a reinstatement. To continue their coverage they must pay the 35% of premium costs by (60 days after date of enactment – 12/21/2009) or, if later, 30 days after notice if the extension is provided by the plan administrator.

Note:

The qualifying time to be eligible for the subsidy has been extended to February 28, 2010. The new provisions were specifically intended to address the provisions of the old subsidy requirements. Therefore, the controlling factor is the date an individual is involuntarily terminated. As long as the individual is involuntarily terminated by February 28, 2010 [even though their coverage may not commence until March 1, 2010] they are eligible for the premium subsidy.

COBRA also refers to what many states refer to “mini-COBRA” for employers under 20 lives; however, the length of time available for the subsidy is based on the mandated benefit the state requires.

Should there be any concerns with respect to these requirements or further information is required, please contact us at 800-518-4510.