

Client Bulletin #418

COBRA Subsidy Extended

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The COBRA subsidy first provided by the American Reinvestment and Recovery Act of 2009 was extended on December 21, 2009. The extension was authorized by a provision in the 2010 Defense Appropriations Act ("Act"). Employers should become familiar with this extension and coordinate with their service providers to ensure appropriate steps are taken to implement the changes.

The Act not only extended the eligibility period for receiving the subsidy, it also extended the maximum period over which an individual could receive the subsidy. Assistance eligible individuals ("AEIs") can now receive the subsidy for an additional six months, which means that an AEI can receive the subsidy for a total period of up to 15 months. Additionally, the eligibility period, which was set to expire on December 31, 2009, has been extended until February 28, 2010, giving individuals an additional two months to qualify for the subsidy. The Act also provides that individuals who are involuntarily terminated by February 28, 2010 will qualify for the subsidy. AEIs who reached the end of the subsidy period before the legislation was signed and failed to pay their December premium will be given until the later of February 19, 2010 (60 days after the enactment) or 30 days after their receipt of the notice (described below) to retroactively pay their December premium without losing coverage. AEIs who paid the full premium amount will either have the excess amount reimbursed or credited towards future premiums.

AEIs who are receiving COBRA coverage on or after October 31, 2009, AEIs who failed to pay their December premium, and individuals whose qualifying event is an involuntary termination of employment between October 31, 2009 and February 28, 2010, must receive a notice that details the subsidy extension. Plan administrators must provide notice to these individuals by the later of February 19, 2010 (60 days after enactment) or the statutory time period for providing other COBRA information. For individuals who have not yet received a COBRA notice, the notice regarding the subsidy extension can be included with their COBRA notice.

If you have any questions regarding the COBRA subsidy extension or need our assistance in drafting or reviewing the notices, please contact Dana Thrasher (205-226-5464), Dave Pearson (813-222-1367), Bob Ellerbrock (205-226-5462), or Jay Turner (205-226-5468).

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