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March 5, 2010

COBRA Subsidy Extended

On March 2, 2010, President Obama signed the Temporary Extension Act of 2010 (Act) that once again extended the eligibility period during which an involuntarily terminated individual could qualify for the COBRA subsidy originally created through the American Recovery and Reinvestment Act of 2009 (ARRA). The period during which you could qualify for the subsidy was originally set to expire on December 31, 2009, but was extended by the Defense Appropriations Act of 2010 until February 28, 2010. This period has again been extended by the Act to March 31, 2010.

The Act also amended the definition of Assistance Eligible Individual (AEI) to include an individual who experienced a reduction in hours between September 1, 2008 and March 31, 2010 and was later involuntarily terminated between March 2, 2010 and March 31, 2010. Prior to the Act, individuals who experienced a reduction in hours followed by an involuntary termination would not be eligible for the subsidy because their initial qualifying event was a reduction in hours and not an involuntary termination. This new class of AEIs must be provided an ARRA general COBRA notice within 60 days of the individual's termination. Their COBRA coverage date will begin on the date of the reduction in hours, however, premiums will not have to be paid for the period between the reduction in hours and the involuntary termination.

The Act also added a new penalty provision. Individuals or the Department of Labor can sue to enforce determinations made under the expedited review process. Additionally, failure to comply with the determination within 10 days of receipt will result in a penalty of \$110 per day.

If you have questions about the Temporary Extension Act of 2010 or the COBRA subsidy generally, please contact Dana Thrasher (205-226-5464), Bob Ellerbrock (205-226-5462), Jay Turner (205-226-5468), or Dave Pearson (813-222-1367).

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