



# Legislative Update

April 21, 2010

## COBRA SUBSIDY EXTENSION THROUGH MAY 31

Congress has passed and the President has signed an extension of the COBRA premium assistance provided under the American Recovery and Reinvestment Act of 2009 (ARRA), as amended. This extension provides a COBRA premium subsidy for eligible individuals who are involuntarily terminated from employment through May 31, 2010. The new law also provides retroactive eligibility for individuals who lost their jobs after the prior COBRA subsidy expired on March 31, 2010. The following provides details on the eligibility for the premium reduction:

- An “assistance eligible individual” is the employee or a member of his/her family who elects COBRA coverage following a qualifying event related to an involuntary termination of employment that occurs at any point from:
  - ◆ September 1, 2008 through May 31, 2010; or
  - ◆ March 2, 2010 through May 31, 2010 if:
    - the involuntary termination follows a qualifying event that was a reduction of hours; and
    - the reduction of hours occurred at any time from September 1, 2008 through May 31, 2010 (a reduction of hours is a qualifying event when the employee and his/her family lose coverage because the employee, though still employed, is no longer working enough hours to satisfy the group health plan’s eligibility requirements).
- Generally, the maximum period of continuation coverage is measured from the date of the original qualifying event (for Federal COBRA, this is generally 18 months). However, ARRA, as amended, provides that the 15 month premium reduction period begins on the first day of the first period of coverage for which an individual is “assistance eligible.” This is of particular importance to individuals who experience an involuntary termination following a reduction of hours. Only individuals who have additional periods of COBRA (or state continuation) coverage remaining after they become assistance eligible are entitled to the premium reduction.
- For purposes of ARRA, COBRA continuation coverage includes continuation coverage required under Federal law (COBRA or Temporary Continuation Coverage) or a State law that provides comparable continuation coverage (for example, so-called “mini-COBRA” laws).

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- Those who are eligible for other group health coverage (such as a spouse's plan or new employer's plan) or Medicare are not eligible for the premium reduction. Individuals paying reduced COBRA premiums must inform their plans if they become eligible for coverage under another group health plan or Medicare.
  - The premium reduction applies to periods of health coverage that began on or after February 17, 2009. There is no premium reduction for periods of coverage that began prior to February 17, 2009. A period of coverage is a month or shorter period for which the plan charges a COBRA premium. The premium reduction for an individual ends upon eligibility for other group coverage (or Medicare), after 15 months of the reduction, or when the maximum period of COBRA coverage ends, whichever occurs first.
  - Assistance eligible individuals who pay 35% of their COBRA premium must be treated as having paid the full amount. The premium reduction (65% of the full premium) is reimbursable to the employer, insurer or health plan as a credit against certain employment taxes.

For more information, refer to the [DOL Fact Sheet](#) and the [DOL Health Care Reform and COBRA FAQs](#).

**If you have questions or need assistance with these new changes, please contact your Conner Strong representative toll-free at 1-877-861-3220.**

*This Legislative Update is provided for general informational purposes only and is not intended to be legal advice. Readers are urged to contact an attorney for legal advice or assistance.*

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