



## Compliance Alert!

### COBRA Premium Subsidy Extended through May 2010

Dear Chris,

The American Recovery and Reinvestment Act of 2009 (ARRA) provided a temporary subsidy for the cost of COBRA continuation health coverage. The COBRA premium subsidy has already been extended twice, first in December 2009 and then in March 2010. On April 15, 2010, President Obama signed The Continuing Extension Act of 2010, extending the eligibility period for the subsidy again.

#### Eligibility Period – Extended Through May 31, 2010

Before the most recent extension, an employee had to be involuntarily terminated from employment between September 1, 2008 and March 31, 2010 to be eligible for the COBRA premium subsidy. This eligibility period has been extended so that individuals experiencing an involuntary termination of employment **through May 31, 2010** are now eligible for the 65 percent subsidy of COBRA benefits.

Although the extension was not passed until April 15, 2010, it is effective as if it were part of the original law. This means that individuals who were involuntarily terminated between April 1 and April 15, 2010 are eligible for the extension.

#### Extension of Subsidy Eligibility for Reduction in Hours Followed by Involuntary Termination

In general, to qualify for the COBRA premium subsidy, individuals must experience a COBRA qualifying event that is the involuntary termination of a covered employee's employment, during the period beginning September 1, 2008 and ending May 31, 2010. As extended by the Continuing Extension Act, an involuntary termination of employment that occurs on or after March 2, 2010, and follows a qualifying event that was a reduction in hours that occurred from September 1, 2008 through May 31, 2010, is also a qualifying event for purposes of the premium subsidy.

If an individual did not elect COBRA after the reduction in hours of employment (or elected and later discontinued it), he or she will have another opportunity to elect based on the involuntary termination of employment if it occurred on or after March 2, 2010. However, the length of the COBRA coverage period will be determined as though the qualifying event were the reduction of hours of employment.

#### Notice Requirements

The notice requirements related to the COBRA premium subsidy continue to apply. Updated model notices will be available from the Department of Labor. If any individuals declined COBRA coverage due to the lapse of the premium subsidy between April 1, 2010 and April 15, 2010, they must be provided a new notice regarding the extension and be allowed to enroll.

#### Topics We Are Following

- Health Care Reform ●
- Mental Health Parity ●
- Compliance Calendar ●

#### Previous Alerts

- Children's Health Insurance Program (CHIP) Model Notice Requirement ●
- Health Care Reform Timeline ●
- March COBRA Extension ●

[PASS TO A PEER](#)

[CONTACT US](#)