

COBRA/ARRA Extension – Information for Employers

A Federal Law, usually called COBRA, requires that most employers sponsoring group health plans offer employees and their families the opportunity for a temporary extension of health coverage (called "continuation coverage") at group rates in certain instances where coverage under the plan would otherwise end (e.g., if the employee is laid off.)

In 2009, the federal government approved a health benefit subsidy for dislocated workers which would pay about two-thirds off their COBRA health insurance premium for a certain period of time. Eligible individuals pay only 35 percent of their COBRA premiums, and the remaining 65 percent is reimbursed to the health coverage provider through a tax credit. The premium reduction applies to periods of health coverage that began on or after February 17, 2009.

In 2010, the federal government enhanced this subsidy as follows:

- Extended the eligibility period. Originally the subsidy applied to employees that were "involuntary terminated" between 9/1/08 – 12/31/09; the time period has now been extended to 5/31/2010
- Increased the maximum period for receiving the subsidy from 9 to 15 months

The U.S. Department of Labor's (DOL) Employee Benefits Security Administration (EBSA) has posted several documents related to this subsidy, including:

- COBRA Subsidy Overview/Menu
<http://www.dol.gov/ebsa/cobra.html>
- COBRA FAQs for Employers
http://www.dol.gov/ebsa/faqs/faq_compliance_cobra.html
- COBRA Premium Reduction Fact Sheet
<http://www.dol.gov/ebsa/newsroom/fsCOBRAPremiumreduction.html>
- COBRA flyer for employers
<http://www.dol.gov/ebsa/pdf/cobrastimulusflyer1.pdf>
- Model Notices
<http://www.dol.gov/ebsa/COBRAmodeInotice.html>