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COBRA PREMIUM SUBSIDY EXTENDED

Yesterday, President Obama signed the Fiscal Year 2010 Defense Appropriations Act, which extends the COBRA premium subsidy created under the American Recovery and Reinvestment Act of 2009 (“ARRA”).

Earlier this year, the ARRA established a temporary program to make COBRA continuation coverage more affordable for displaced employees. Under the program, COBRA-eligible employees must pay only 35% of the premium for continuation coverage; the rest is paid by the employer and then offset by payroll tax credits. (For more details, see the *Balch & Bingham Labor & Employment Bulletin*, February 27, 2009.) The program was set to expire on December 31, 2009, but the Defense Appropriations Act extends the eligibility period for the COBRA premium subsidy for an additional two months (through February 28, 2010). The Act also extends the maximum period for receiving the subsidy from nine to 15 months.

Individuals who had reached the end of the COBRA subsidy before the legislation extended it to 15 months will have additional time to pay the reduced premiums related to the extension. To continue their coverage they must pay the 35% of premium costs within 60 days, or, if later, 30 days after notice of the extension is provided by their plan administrator.

Group health plans have special notice obligations relating to the subsidy extension. Employers may obtain more information about the COBRA subsidy, including model notices, from the United States Department of Labor’s COBRA web site, www.dol.gov/cobra.



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