

COBRA SUBSIDY EXTENSION**Client Alert*****EXTENSION OF COBRA SUBSIDY UNDER THE DEPARTMENT OF DEFENSE APPROPRIATIONS ACT, 2010.***

The American Recovery and Reinvestment Act of 2009 (ARRA), which was enacted in February 2009, provides a government paid subsidy of 65% of the COBRA cost for certain qualified beneficiaries whose loss of health coverage results from an involuntary termination of employment. To be eligible for the subsidy, an individual must be a qualified beneficiary because of an involuntary termination during the period from September 1, 2008 through December 31, 2009, and be eligible for and elect COBRA coverage by December 31, 2009. The individual will be deemed to have paid the full COBRA premium if he pays 35% of the required premium with the employer being reimbursed for the other 65% through a credit against their payroll taxes. The subsidy is payable for a maximum period of up to nine (9) months and for some individuals was exhausted in November, 2009.

Subsidy Extension Under the Department of Defense Appropriations Act, 2010

An extension of the subsidy period has been signed into law on December 19, 2009 as part of the Department of Defense Appropriations Act, 2010. The Act extends the eligibility period for the ARRA premium reduction to an additional two months (from December 31, 2009 through Feb. 28, 2010) and the maximum period for receiving the subsidy to an additional six (6) months (from nine to fifteen months).

The Act increases the length of the COBRA subsidy for a total of 15 months for those who have already been receiving the subsidy as well as those who are newly eligible. For those individuals who were unable to pay their full COBRA premium after the 9-month subsidy ran out, they will now have the opportunity to receive another 6 months of the COBRA subsidy for a total of 15 months.

New Notice Requirements

The Act imposes new notice requirements on Group Health Plans to alert individuals to the availability of the COBRA subsidy extension. There are various categories of individuals who must receive a notice with varying notice deadlines.

Categories of Individuals Who Must Receive a Notice:

Individuals, whose COBRA subsidy expired, who continued to pay the full COBRA premium for December and now are entitled to an extension.

- *Individuals, whose COBRA subsidy expired, who did not pay the full COBRA premium for December and are now entitled to an extension.*
- *Individuals, who are currently receiving the nine (9) month subsidy and are now entitled to an extension.*
- *Individuals, having a qualifying event on or after October 31, 2009 and are still within their election period.*
- *Individuals terminating after the law's enactment date (December 19, 2009).*

BAS WILL CONTINUE TO ANALYZE THE LEGISLATION ON BEHALF OF OUR CLIENTS AND ADVISE ADDITIONAL CLARIFICATIONS AS THEY BECOME AVAILABLE.