

## **COBRA Subsidy Extension**

President Obama signed the Temporary Extension Act of 2010 on March 2<sup>nd</sup>. In addition to extending unemployment benefits, the Act extends eligibility for the 65% COBRA subsidy to individuals who experience an involuntary termination from February 28<sup>th</sup> through March 31, 2010. Eligibility had expired for terminations occurring after February 28, 2010. Employers should adjust their COBRA notices to reflect the new March 31, 2010 subsidy eligibility extension date.

In addition to the extension of eligibility for the COBRA subsidy, the Act creates a special rule for employees who lost their group medical coverage due to a reduction of hours and are later involuntarily terminated. Under this rule, an individual who lost group coverage due to a reduction in hours (*occurring between 9/1/08 and 3/31/10*) and who is subsequently involuntarily terminated *between March 2, 2010 and March 31, 2010* will be eligible for the COBRA subsidy. A few key points regarding the special rule:

- It creates a new election period for individuals who either did not elect COBRA when they initially lost coverage or elected COBRA but discontinued it prior to their involuntary termination.
- The subsidy period, up to a maximum of 15 months, is measured from the first coverage period following the law's March 2<sup>nd</sup> enactment date (April 1<sup>st</sup> for COBRA periods beginning on the first of a month). Individuals who are eligible for the new election period are not required to pay for the period of coverage between their loss of coverage and their first period of COBRA coinciding with their involuntary termination.
- It is important to note that while the date of involuntary termination is the qualifying event for purposes of the subsidy, it is not the qualifying event date for the purposes of calculating the COBRA maximum duration. The COBRA maximum duration is still measured from the date of the reduction in hours.
- Notices will need to be sent to all individuals who lost coverage due to a reduction in hours on or after 9/1/08 and who are terminated from employment between March 2<sup>nd</sup> and March 31<sup>st</sup>, 2010 informing them of the new special rule. The notice must be sent within 60 days of termination. Based on past subsidy guidance, it is likely that the notice will need to be sent to both voluntary and involuntary terminations.