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## **Extension of the Eligibility Period for the COBRA 65% Premium Subsidy**

(updated 03/04/2010)

### **Background:**

The American Recovery and Reinvestment Act of 2009 (ARRA) created a new federal subsidy of COBRA premiums for individuals who lost their group health insurance coverage. The subsidy is for 65% of an Assistance Eligible Individual's (AEI) required COBRA premium for up to nine months. ARRA provided for the subsidy to be payable to an AEI for up to nine months. AEIs were defined by ARRA as people who lost their health coverage due to an involuntary termination of employment that occurred between September 2008 and December 2009.

In December 2009, the length of the COBRA premium subsidy was extended for up to an additional six months (meaning an AEI could receive the subsidy for up to 15 months). Additionally, eligibility as an AEI was extended to individuals whose termination of employment occurred before March 1, 2010.

### **Issues:**

Because a significant number of layoffs are expected to continue into the 2<sup>nd</sup> quarter of 2010, there are political concerns that Americans losing their jobs after February 2010 would be unable to afford COBRA coverage and would therefore add to the nation's uninsured population.

Additionally, ARRA and its December 2009 modifications did not make the premium subsidy available to individuals who originally lost their coverage due to an involuntary reduction of hours and were then later terminated from employment. Therefore, employers who tried to avoid laying an employee off by reducing their hours (but eventually were forced to terminate employment) were unwittingly causing their ex-employees to be ineligible for the premium subsidy.

### **Legislative Changes:**

On Tuesday March 2, President Obama signed legislation approved by Congress extending the eligibility for the COBRA premium subsidy to individuals whose termination of employment occurs during the month of March 2010. The legislation also extends subsidy eligibility to individuals who first lost coverage due to reduced hours and then are laid off after March 1, subject to certain conditions.

### **Admin America's Action Plan:**

Admin America will be holding all non-emergency COBRA notifications related to terminations of employment that occur on or after March 1, 2010 until we are able to update our administrative software program to offer ARRA premium subsidy eligibility to those individuals. We expect this process to be completed by March 12, 2010. If notified by an employer or covered individual that a notice is required to be sent for an affected covered individual before that date, a non-compliant notice will be sent in order to allow that individual to make a rapid COBRA election.

Admin America anticipates that the U.S. Department of Labor may require supplemental notices to be provided to individuals who have previously lost their insurance coverage due to an involuntary reduction of hours. We can not know the specifics of that notice at this point or even if it will definitely be required but we will continue to monitor that potential requirement and will provide whatever notices become required in a timely manner.

Admin America interprets that this extension of COBRA subsidy eligibility will also affect subsidy eligibility for individuals covered under most state continuation programs. We will communicate those effects separately to our Georgia Continuation customers.