

President Obama Extends COBRA Subsidy for Unemployed Workers

December 23, 2009

On December 21, 2009, President Barack Obama signed into law an extension of the federal COBRA subsidy created by the American Recovery and Reinvestment Act of 2009 (“ARRA”). Under ARRA, employees who were involuntarily terminated between September 1, 2008 and December 31, 2009 are entitled to a government subsidy of 65% of the premium cost for health care continuation coverage under COBRA for a period of nine months. The new legislation, which was included as part of the 2010 Department of Defense Appropriations Act, extends coverage to employees who lose their jobs between December 31, 2009 and February 28, 2010. Further, the new law expands the total allowable time during which an individual may receive the COBRA subsidy from nine months to fifteen months. Because the nine month period has already expired for some individuals, the law grants such individuals a grace period to pay past due premiums without losing coverage or to receive a credit if they had paid the full premium amount after they lost the original subsidy.

The law requires plan administrators to revise their COBRA subsidy notices to reflect the extension. Further, plan administrators will need to send out an additional notice to individuals who already obtained the subsidy under ARRA regarding the extra six months of coverage and the right to make retroactive premium payments in order to maintain COBRA continuation coverage. The Department of Labor intends to issue model notices to reflect these changes.

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