

COBRA BENEFITS FROM STIMULUS BILL EXTENDED AND EXPANDED

(December 22, 2009)

Most healthcare providers have been aware that since February 2009 the federal government has subsidized a portion of the COBRA premiums for employees who were involuntarily terminated from their jobs. On Monday, December 21, 2009, President Obama signed a new measure that extends the federal subsidy of COBRA premiums paid for eligible employees who have been involuntarily terminated.

This latest law expands coverage from the current limit of nine (9) months with an additional six (6) months which will provide a total of up to fifteen (15) months of subsidized COBRA premiums for involuntarily terminated employees covered under employer group health plans. The new law also extends the eligibility period to cover employees terminated through February 28, 2010.

In February 2009, the President signed the original stimulus bill (the American Recovery and Reinvestment Act of 2009 "ARRA") which initiated the federal subsidy to extend COBRA coverage for involuntarily terminated employees. The federal government covers 65% of the COBRA premium with the terminated employee left to cover the remaining 35%. The original stimulus bill also limited subsidy payments for up to nine months, and it only covered individuals terminated between September 1, 2008 and December 31, 2009.

With the original law set to expire on December 31, Congress acted to continue covering employees terminated through February 2010 while also expanding coverage for an additional 6 months to provide a total of up to 15 months of subsidized COBRA premiums.

Notably, the original COBRA (Consolidated Omnibus Budget Reconciliation Act) law has not changed. Thus, an employee's eligibility to elect COBRA coverage is still determined by the original COBRA rules, including restrictions on employees terminated for gross misconduct. Additionally, employees who quit their jobs voluntarily may still elect to continue health insurance coverage under COBRA, but premiums for those employees would not be subsidized by the federal government. Employers are also still required to notify newly-terminated employees as well as former employees of any eligibility to continue health insurance coverage under the employer's group health plan as outlined by COBRA.

The Department of Labor News Statement covering these latest changes can be found at <http://www.dol.gov/ebsa/newsroom/2009/ebsa122109.html>.



The Department of Labor website for COBRA Continuation Coverage Assistance can be found at <http://www.dol.gov/ebsa/cobra.html>.