



COBRA Subsidy Program Extended

Client Advisories

12.23.2009

On Saturday, December 19, President Obama signed into law an extension of the 65% COBRA premium subsidy that was due to expire on December 31, 2009. The COBRA subsidy program was enacted on February 17, 2009, as part of the American Recovery and Reinvestment Act of 2009. See our Client Advisory dated [February 24, 2009](#), addressing the details of the program. The extension provides additional benefits to employees who have experienced an involuntary termination of employment and requires employers to meet new compliance obligations and additional notice requirements within 60 days of enactment (February 17, 2010).

The key provisions of the COBRA subsidy extension are:

1. The subsidy is available to Assistance Eligible Individuals (AEIs) whose COBRA qualifying event (involuntary termination of employment) occurs by February 28, 2010 (the prior deadline was December 31, 2009).
2. The amount of time an AEI can receive the subsidy is increased from 9 to 15 months.
3. A special grace period for electing COBRA coverage applies to individuals who were previously covered under the subsidy program but discontinued participation prior to the availability of the extension. These individuals have until February 17, 2010 or, if later, 30 days after receiving notice of the extension, to elect continuation of their COBRA coverage and apply for the subsidy. A refund of overpayments is available to an AEI who was paying the full COBRA premium prior to this extension.
4. Employer COBRA notices must include information on the extended COBRA subsidy. Individuals eligible for the special grace period must receive notice regarding the ability to pay premiums retroactively and be reinstated. AEIs paying the full premium must also receive a notice about the extension of the subsidy.

Nothing in the new law or the prior subsidy program extends an individuals actual COBRA eligibility period.

If you need assistance in implementing the latest COBRA subsidy benefits or drafting compliant notices, please contact a member of Archer's Employee Benefits Practice Group at 215-963-3300 or Labor and Employment Practice Group at 856-795-2121.

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