

Legislative Update

COBRA Subsidy Period Extended: New Group Eligible

For a second time Congress has extended the period of COBRA subsidy eligibility under The American Recovery and Reinvestment Act of 2009 (ARRA).

The Temporary Extension Act (TEA), which was enacted on March 2nd not only extends the eligibility period from February 28, 2010 to March 31, 2010, but also provides the opportunity for individuals who lost coverage due to a reduction in hours and were involuntarily terminated between March 2nd and March 31st to elect COBRA coverage with the 65 percent premium reduction.

TEA stipulates that individuals who were given the chance to elect COBRA coverage due to a reduction in hours (after September 2008) but didn't, and who were involuntarily terminated between March 2, 2010 and March 31, 2010 have a new right to receive subsidized coverage. Prior to this act, the termination following a reduction of hours would not have been considered a "qualifying event" since the individual had already been offered COBRA coverage upon the reduction in hours.

Unlike the previous change to the COBRA premium subsidy, this act does not change the maximum length of the subsidy period, which remains at 15 months. However, the 18 months of COBRA coverage will be measured from the date of the earlier reduction in hours of employment.

While TEA only extends the eligibility period for an additional 31 days, further work is being done on Capitol Hill to extend the premium subsidy to individuals who experience an involuntary termination through December 31, 2010.

The Chelko Consulting Group will continue to monitor this and other legislation, in order to provide you with the decision making information you need.

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Frank Mulvaney - 27500 Detroit Rd., Suite 201, Westlake, OH, 44145, United States