

COBRA PREMIUM SUBSIDY EXTENDED

On December 19, 2009, the President signed legislation extending the COBRA premium subsidy program that was part of the economic stimulus bill enacted in early 2009. This recent statutory amendment contains significant changes to the COBRA premium subsidy:

Eligibility Period: Employees that are involuntarily terminated between September 1, 2008 and February 28, 2010 are eligible for the COBRA subsidy. The previous eligibility period ended on December 31, 2009.

Note that only the termination from employment, not the loss of coverage, must occur on or before February 28, 2010 in order to receive the subsidy. For example, if an employee were involuntarily terminated on February 27, 2010, but his or her health plan coverage extends beyond February 28, 2010, the individual would still be eligible for the COBRA subsidy.

Subsidy Period: The maximum period for receiving the COBRA subsidy has been increased from 9 to 15 months.

Retroactivity: The subsidy extension is retroactive. Any individual who previously received the COBRA subsidy, but exhausted it after nine months, will have the opportunity to elect COBRA coverage at the subsidized rate for an additional six months. Individuals who lost their subsidy and paid the full 100 percent premium for December 2009 may be entitled to a credit for future months of coverage or to reimbursement for the overpayment made.

New Notice Requirements: Any individual who becomes eligible for the COBRA subsidy on or after October 31, 2009, or who is voluntarily or involuntarily terminated on or after that date, must be provided written notice containing information about the subsidy extension. This notice must be provided to eligible individuals no later than February 17, 2010.

In addition, any individual who was eligible for the COBRA subsidy, but either lost coverage for failure to pay a premium, or who paid the full premium after they exhausted their 9-month COBRA subsidy, must be provided with information regarding the extension and the right to make retroactive premium payments at the federally subsidized rate. This written notice must be given to individuals who are in their "transition period," which is the period that begins immediately after the end of the previous nine-month subsidy period. This notice must be provided within the first 60 days of the individual's transition period.

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The COBRA subsidy extension is effective immediately. At a minimum, employers must identify all individuals affected by the new law and amend and distribute revised COBRA subsidy notices that comply with the new law's requirements.

For More Information

Please contact a member of our Labor & Employment Law Practice Group at (419) 249-7100.

Justice G. Johnson, Jr.
johnson@marshall-melhorn.com
419.249.7115

David L. O'Connell
oconnell@marshall-melhorn.com
419.249.7135

Ruth Meacham
meacham@marshall-melhorn.com
419.249.7128

Roman Arce
arce@marshall-melhorn.com
419.249.7111

Michael S. Scalzo
Scalzo@marshall-melhorn.com
419.249.7129

Jennifer J. Dawson
dawson@marshall-melhorn.com
419.249.7139

Jill K. Bigler
bigler@marshall-melhorn.com
419.249.7147

About Marshall & Melhorn, LLC

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Main Office
Four Seagate, 8th Floor
Toledo, OH 43604
419.249.7100
Fax: 419.249.7151

Michigan Office
204 S. Macomb Street
Monroe, MI 48161
734.457.2444