

COBRA Subsidy Update

Health insurance and the unemployment rate have been hot topics in the media and Congress for quite some time. The COBRA subsidy, created as part of the American Recovery and Reinvestment Act (ARRA), has been extended three times over the past year. In the last couple of months, another extension was proposed to Congress.

Where does the subsidy extension stand today?

The subsidy has not been extended, and as a result, those employees who were involuntarily terminated after May 31, 2010 are not currently entitled to the subsidy. Although several bills have been introduced in Congress to retroactively extend the subsidy to these individuals, the bills have not received much support.

How does the lack of another extension affect individuals currently receiving the subsidy?

Not at all. Individuals involuntarily terminated before June 1, 2010, who are not eligible for another group health plan or Medicare, may continue to receive the subsidy for up to 15 months. Please remember, even though coverage is available for up to 18 months, the subsidy is only available for up to 15 months.

What are some of the highlights of the current COBRA subsidy?

- Individuals currently receiving the subsidy are unaffected.
- The subsidy is available to eligible individuals who were involuntarily terminated prior to June 1, 2010.
- The COBRA subsidy is not available to individuals terminated after May 31, 2010.
- The subsidy is available for up to 15 months.
- Eligible COBRA participants pay 35% of the COBRA premium, including the 2% administration fee. The former employer pays the other 65% of the COBRA premium, including the 2% administration fee to the insurance provider. The former employer will receive a credit for the premium and applicable fee on the IRS Form 941 Employer's Quarterly Federal Tax Return.