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Advisory Bulletin

December 22, 2009

COBRA Subsidy Law Extended and Expanded

Notice #1

Last night President Obama signed the *Fiscal Year 2010 Defense Appropriations Act* which includes several important changes to the COBRA premium subsidy law (ARRA) that was due to expire on December 31, 2009.

Specifically the new law imposes additional compliance obligations for employers and new notice requirements that must be met within a tight timeframe.

Key Provisions of the COBRA Subsidy Extension

The new law includes the following changes to the COBRA Subsidy provisions:

Eligibility Period Extended to February 28, 2010

Under ARRA the eligibility period for government premium subsidy applied to individuals who were involuntarily terminated from employment and who had a loss of health coverage before December 31, 2009.

The new law extends the eligibility period for an additional two months (through February 28, 2010). It also clarifies that a person is assistance eligible as long as the COBRA qualifying event (involuntary termination of employment) occurs by February 28, 2010 even if the loss of coverage date is after February 28.

Premium Subsidy Period Increases from Nine to Fifteen Months

Under ARRA, Assistance Eligible Individuals (AEI's) could receive the government subsidy for up to nine months.

The new law increases the maximum period for receiving the 65% government subsidy for an additional six months (from nine to fifteen months).

Please note, that the law DOES NOT increase the COBRA period beyond the original 18 months.

Re-notification of Assistance Eligible Individuals

Employers and/or COBRA administrators must notify all Assistance Eligible Individuals of their new COBRA premium subsidy rights under the law. This re-notification must be provided within 60 days.

In the case of AEI's whose subsidy eligibility may have expired under the old law, a period for retroactive payment of premiums must be allowed. For example, an AEI whose subsidy started on March 1, 2009, would have had it expire on November 30, 2009 (9 months). If they fail to remit the December payment causing coverage to terminate, they must be allowed to reinstate coverage and receive the subsidy for an additional 6 months.

Benefit Strategies' Response

Benefit Strategies is working closely with our COBRA software vendor to respond quickly to the new regulations on behalf of our clients who engage us to provide COBRA administrative services.

We will watch for guidance from the Department of Labor and the IRS pertaining to the administrative requirements and notification language. Once we receive the updates to our COBRA software, we will re-notify all COBRA assistance eligible individuals who may be affected by the new law.

Benefit Strategies stands ready to provide COBRA outsourcing services to any employer who does not want to take on the administrative burdens contained in this new law. If these changes make it necessary to outsource your COBRA administration, please call Lori McKnight for an administration quote at 888-401-3539 Ext. 1036.

We will provide updated information over the next few weeks as it becomes available.

To review up to date COBRA ARRA facts please visit
<http://www.dol.gov/ebsa/newsroom/fscobrapremiumreduction.html>

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