



## COBRA Subsidy Changes for Employers

If you currently employ 20 or more total employees (part-time and full-time), and you offer a group health plan, you are subject to Federal COBRA laws and will be affected by recent legislation.

On December 19, 2009, President Obama signed the Department of Defense Appropriations Act of 2010 ("The Act"). Section 1010 of this Act extended the COBRA subsidy program originally introduced under the American Recovery and Reinvestment Act of 2009 ("ARRA").

### Original COBRA subsidy

ARRA provides for a federal subsidy of 65 percent of the COBRA continuation coverage premiums for qualified beneficiaries receiving COBRA continuation coverage due to the covered employee's involuntary termination of employment between September 1, 2008, and December 31, 2009. These individuals are referred to as "Assistance Eligible Individuals" or "AEIs." Under ARRA, AEIs are entitled to receive the subsidy for up to nine months.

### What's Changing

The Act introduces several key changes to the subsidy program, including:

1. The eligibility period for the subsidy program has been extended from December 31, 2009 to February 28, 2010. This means that individuals who experience an involuntary termination of employment between September 1, 2008 and February 28, 2010 are eligible for the COBRA subsidy program. The new rule does not require COBRA coverage to begin by Feb. 28, only that the involuntary termination of employment must occur by Feb. 28.
2. The amount of time an AEI can receive a subsidy was increased from 9 to 15 months. AEI's can now receive the 65% subsidy for 15 months, assuming they continue to meet all other eligibility requirements (e.g., does not become eligible for coverage under another group health plan or Medicare, pays their portion of premiums on time, etc). This applies to AEI's that became eligible for the subsidy under the original provisions of ARRA as well as those that first become eligible for the subsidy under the extended period provided under the Act.
3. Employers must provide a special notice to all AEIs who are covered under COBRA on or after November 1, 2009, or who experience an involuntary termination of employment on or after November 1, 2009, describing the extended subsidy program.
4. New COBRA notices must be provided to those individuals who either failed to pay the unsubsidized COBRA premium, or failed to pay any COBRA premium, during the transition period. The notice must be provided within the first 60 days of their transition period, and must include information on the ability to make retroactive premium payments.
5. A refund or credit must be provided to an AEI who paid the full, unsubsidized premium during the transition period.

### Guidance for Employers

Hibbs-Hallmark and Company provides ongoing guidance and support to our clients for COBRA and other legislative issues facing employers. Current clients may access our free online COBRA service, COBRA Aid, for up-to-date information and forms. Employers may also access COBRA legislation summary and required notices on the Department of Labor website at [www.dol.gov](http://www.dol.gov). For more information, call 903-561-8484 and ask for Employee Benefits.

**Please contact your Hibbs-Hallmark & Company account representative for more information on Employment Practices Liability Insurance.**

Sincerely,  
**Brenda Massey**  
Account Executive  
Employee Benefits

