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COBRA SUBSIDY UNDER STIMULUS PLAN: MODEL NOTICES NOW AVAILABLE

The American Recovery and Reinvestment Act (ARRA, otherwise known as the Stimulus Plan) included a COBRA provision that authorized a 65 percent federal subsidy for continuing health care coverage under COBRA for employees who were laid off between Sept. 1, 2008, and Dec. 31, 2009. The health premium subsidy is provided only with respect to involuntary terminations that occur on or after Sept. 1, 2008, and before Jan. 1, 2010.

On March 19, the Department of Labor announced the availability of four model notices and 25 frequently asked questions and their answers regarding the COBRA health care continuation coverage premium reduction. ARRA mandates the provision of three notices: a general notice (two versions), an alternative notice, and a notice in connection with extended election periods.

- The General Notice must be sent to all qualified beneficiaries, not just covered employees, who have experienced a qualifying event at any time from Sept. 1, 2008, through Dec. 31, 2009, regardless of the type of qualifying event. A short version is for individuals who have elected COBRA to advise them of the availability of a subsidy, and the longer version is for those who have not yet made an election.
- The Alternative Notice goes to those whose continuation coverage is affected by state law. This notice that should be modified to reflect the requirements of the ARRA applicable state law.
- The Notice in Connection with Extended Election Periods is provided to any assistance-eligible individual who had a qualifying event between Sept. 1, 2008, and Feb. 16, 2009, and who could have elected COBRA or who had elected it but then dropped it.

Notice must be provided by April 18, 2009. The text of the notices and the FAQ's are available at: <http://www.dol.gov/ebsa/COBRA.html>

For further information on this and other employment compliance topics, please feel free to contact us.