

HEALTH NEWS

COBRA SUBSIDIES AVAILABLE FOR COVID RELIEF

The American Rescue Plan Act of 2021 (ARPA) was passed into law on March 11, 2021 by President Biden. This law provides 100% tax-free subsidies for COBRA continuation coverage to eligible individuals for six months. The subsidy will begin on April 1, 2021 and end on September 30, 2021.

Assistance Eligible Individuals

COBRA premium assistance is available to individuals and their dependents who lose or have lost health coverage due to an involuntary termination of employment or a reduction of hours. The individual must be eligible for COBRA between April 1, 2021 and September 30, 2021 (Premium Assistance Period). Individuals eligible for COBRA due to other qualifying events are not eligible for the premium assistance.

Individuals who declined or terminated COBRA coverage prior to April 1, 2021 but would have been eligible for COBRA during the Premium Assistance Period had COBRA been elected or continued will be provided a new opportunity to elect COBRA coverage in order to take advantage of the premium assistance. The new election period begins on April 1, 2021 and ends 60 days after the new election opportunity notice is provided. If elected, coverage will be provided retroactive to April 1, 2021 and will terminate at the end of the original COBRA coverage period (based on the original qualifying event).

Premium assistance will end on September 30, 2021, or if earlier, the date the individual becomes eligible for Medicare or another group health plan, or on the date COBRA ends based on the original qualifying event.

Notice Requirements

ARPA requires plans to provide the following notices:

- Modified COBRA election notices must be sent to individuals eligible for COBRA during the Premium Assistance Period describing the availability of the premium assistance.
- Notice of a new election period and the availability of the premium assistance must be sent to individuals who previously rejected or terminated COBRA coverage if they would have otherwise been eligible for COBRA during the Premium

Assistance Period. This notice must be sent by May 31, 2021.

- Notice must be sent to assistance eligible individuals whose subsidies will expire prior to September 30 including the date the premium assistance will expire and any coverage available without premium assistance. This notice must be sent no more than 45 days, but not less than 15 days, before the premium assistance will expire.

Model notices for eligibility for premium assistance will be issued within 30 days of the enactment of ARPA (April 10, 2021). Model notices for the premium assistance expiration will be issued within 45 days of the enactment of ARPA (April 25, 2021).

Tax Credits

Premium assistance will be paid by the federal government through credits against employers' Medicare taxes. It is not yet clear how multiemployer health plans and other plan sponsors who do not pay Medicare taxes will be reimbursed for the COBRA premiums not paid by the individual.

Action Steps

Since the COBRA premium assistance requirements are effective on April 1, 2021, plans should immediately begin taking steps towards compliance.

1. Identify individuals who are currently on COBRA coverage due to an involuntary termination or reduction of hours. Notice of eligibility for premium assistance will need to be sent.
2. Identify individuals who could have been on COBRA coverage during the Premium Assistance Period. This would mean going back to those eligible beginning in November 2019 since the 18 month period of COBRA coverage would extend through April 2021. Notice of a new right to elect COBRA coverage and eligibility for premium assistance will need to be sent.
3. Review any automatic COBRA termination procedures that would automatically terminate COBRA coverage if premiums are not received and modify if needed.

If you have any questions please contact us at 484-530-0692 or by email to Karen Crossin at karen.crossin@mckeogh.com

IMPORTANT:

This newsletter is meant to discuss important topics, but is not meant to be an authoritative description of any law.

Legal counsel should be consulted before taking any action in connection with compliance with any law.

The McKeogh Company

Four Tower Bridge, Suite 225
200 Barr Harbor Drive
West Conshohocken, PA 19428

Phone: 484-530-0692
Fax: 484-530-0713
E-mail: mckeogh@mckeogh.com

