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INSURANCE NEWS

Congress Extends COBRA Subsidy Program (Updated)

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President Obama has signed H.R. 3326, a defense appropriations bill with a provision that will let involuntarily terminated workers seek the temporary 65% federal health benefits continuation subsidy up until Feb. 28, 2010.

The Consolidated Omnibus Budget Reconciliation Act benefits continuation subsidy provision also will extend the period when terminated workers can get the subsidy to 15 months.

Originally, the application cut-off date was going to be Dec. 31, 2009, and the subsidy was going to last just 9 months.

The House approved an earlier version of the Department of Defense Appropriations Act, 2010, in July and a House-Senate compromise version Dec. 16. Members of the Senate braved the East Coast blizzard Saturday to pass the bill by an 88-10 vote. President Obama signed the bill Saturday, according to a White House representative.

Congress created the COBRA subsidy program earlier this year, when it included the original subsidy provision in the American Recovery and Reinvestment Act of 2009.

Before Congress created the subsidy, employees eligible for COBRA continuation benefits usually could get them only if they could pay 102% of the full cost of the coverage premiums.

In addition to extending the eligibility period and the duration of subsidy benefits, the H.R. 3326 COBRA subsidy extension provision will make a number of subtler changes in the subsidy program rules, according to AmeriFlex Inc., Mount Laurel, N.J.

AmeriFlex says the provision will:

- Require a special notice describing the new subsidy provisions to go out to all AEIs who have been on COBRA on or after Nov. 1, 2009, or whose qualifying event is an "involuntary termination" of employment occurring on or after Nov. 1, 2009;
- Allow for a 60-day period for the retroactive payment of premiums for "assistance eligible individuals" whose subsidy period expired Nov. 30 and who failed to pay their premium for December coverage.
- Let employees who are involuntarily terminated before Feb. 28, 2010, but get

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COBRA coverage that starts after Feb. 28, 2010, qualify for the subsidy.

"AmeriFlex is working diligently to re-program its systems in order to offer a solution to plan administrators who will need to accommodate these new requirements," the firm says.

The U.S. Department of Labor, the U.S. Department of Health and Human Services, and the Internal Revenue Service all could issue guidance concerning the subsidy extension, the firm says.

Another firm, Eflexgroup.com Inc., Madison, Wis., already has scheduled 3 Web seminars on the COBRA subsidy extension.

Eflexgroup.com warns that employers and their benefits advisors will have to move quickly: The new statute requires employers to send extension letters within 90 days of enactment.

For more coverage of the COBRA subsidy program, please see:

- The COBRA Premium Subsidy And Involuntary Terminations
- Labor Posts COBRA Notices
- IRS Releases COBRA Guidance
- EBSA Starts To Implement ARRA
- Obama Signs H.R. 1

