Consolidated Omnibus Budget Reconciliation Act (COBRA)
Frequently Asked Questions (FAQs)

APRIL 19, 2021

What’s happening with COBRA? (DOL, 3/11/2021)

The recently passed American Rescue Plan Act of 2021 (ARPA) includes a 100% COBRA subsidy from the federal government starting April 1, 2021, through Sept. 30, 2021. This allows certain individuals who lost their group health coverage (but notably the loss of coverage does not have to result from a COVID-19-related event) during the COVID-19 pandemic to stay on their company-sponsored health plan. As an employer to whom COBRA premiums are payable, you will be entitled to a tax credit for the amount of the premium assistance. Employers that provide group health insurance should review the U.S. Department of Labor (DOL) website for details and consult with their tax and legal advisors. A general discussion of ARPA is below.

To be eligible for the premium assistance, eligible individuals:

• MUST have a COBRA-qualifying event that is a reduction in hours or an involuntary termination of a covered employee’s employment;

• MUST elect COBRA continuation coverage;

• MUST NOT be eligible for Medicare; and

• MUST NOT be eligible for coverage under any other group health plan, such as a plan sponsored by a new employer or a spouse’s employer.

Which plans does the premium assistance apply to? (DOL, 4/7/2021)

The COBRA premium assistance provisions apply to all group health plans sponsored by private-sector employers or employee organizations (unions) subject to the COBRA rules under the Employee Retirement Income Security Act of 1974 (ERISA). They also apply to plans sponsored by state or local governments subject to the continuation provisions under the Public Health Service Act. The premium assistance is also available for group health insurance required under state mini-COBRA laws.

Will there be model notices? (DOL, 4/7/2021)

Yes. DOL has developed model notices available at www.dol.gov/cobra-subsidy.

Employers are required to give notices to existing assistance-eligible individuals by May 31, 2021, but it is advisable to do so as soon as possible. The notices explain that an individual’s right to free COBRA will cease if the individual is eligible for coverage under another group health plan.
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