



ARPA and Required Subsidies for COBRA

Another major component of the American Rescue Plan Act of 2021 (“ARPA”), signed into law by President Biden on March 11, 2021, is the full subsidization for COBRA premiums of qualified individuals and their dependents for a six month period from April 1, 2021 through September 30, 2021.

Generally, the Consolidated Omnibus Budget Reconciliation Act (“COBRA”) applies to private employers with at least 20 employees, and provides for temporary continuation of group health coverage that would otherwise be lost due to certain life events (e.g. termination of employment), to covered employees, spouses and dependent children. The employee bears full financial responsibility to pay COBRA premiums. Relief will now be available to those struggling to pay these premiums and maintain coverage due to the hardship of COVID-19.

Specifically, ARPA allows certain individuals the opportunity to receive fully subsidized coverage for up to six months. The subsidized premiums will be available for the period from April 1, 2021 through September 30, 2021. To the extent an employee’s COBRA eligibility period overlaps with that six month time frame, their premiums will be subsidized for the time period corresponding to that overlap.

There is a special enrollment period for otherwise eligible individuals who declined to elect COBRA continuation of benefits prior to the Act, or had elected and then dropped coverage. These individuals must enroll within sixty days from the date they receive notice of their rights under the ARPA (which notice is due by May 31, 2021), and enrollment will be retroactive to April 1, 2021. They will then be eligible for subsidies to the extent their COBRA eligibility period would have continued, *from the original qualifying event*, into the period between April 1, 2021 and September 30, 2021.

The COBRA eligibility period normally lasts 18 months, but can extend longer under certain circumstances. Notably, ARPA does *not* extend the duration of COBRA eligibility.

Individuals who voluntarily left their employment are not eligible for subsidized coverage. Moreover, if an individual starts a new job with group health insurance during the subsidy period, they are no longer eligible for the subsidy.

The Federal Government will not pay the COBRA subsidies directly. Rather, depending on the type of plan, the premium payments must be advanced by employers, their insurers or a multiemployer plan, and will be recouped either by a dollar-for-dollar payroll tax credit or a refund.

Employers will need to update their COBRA notices, and under ARPA will be required to provide notice to subsidy-eligible individuals no less than 15 (and no more than 45) days before any subsidy ends. Model notices are expected to be issued by the United States Department of Labor in the coming days.

For more information, please contact [Charles T. Jeremiah](#).