



COBRA Subsidy in the Works

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A COBRA subsidy is included in early drafts of the proposed fiscal year 2021 budget reconciliation package. If finalized, the COBRA subsidy would apply to workers who have lost group coverage during the COVID-19 pandemic due to involuntary termination or reduction in hours of employment.

Briefly,

- The COBRA premium subsidy will be available to assistance eligible individuals beginning the first month following the date of enactment through September 30, 2021.
 - The proposed definition of an assistance eligible individual means, with respect to a period of coverage beginning on the first day of the month follow the date of enactment and ending on September 30, 2021, a qualified beneficiary who:
 - Is eligible for COBRA continuation of coverage due to involuntary termination or a reduction in hours (excludes voluntary termination); and
 - Elects such coverage.
- Assistance eligible individuals pay 15% of their total COBRA premium during this period.
- A payroll tax credit will subsidize 85% of the total COBRA premium.

- An extended election period is available to allow workers who previously experienced a COBRA qualifying event to enroll in coverage and take advantage of this relief.
- Employers will be required to provide clear and understandable written notices about the availability of the COBRA subsidy.

Under the proposed reconciliation bill, additional ACA Marketplace premium assistance would also become available to individuals not eligible for COBRA.

■ Employer Action

The legislation is in the early stages and is not final. However, if finalized “as-is,” the COBRA subsidy, extended COBRA election period and notification requirements would raise a host of additional compliance issues and responsibilities for employers. Coordination between COBRA vendors, insurance carriers (including stop loss) and third-party administrators will be important to ensure compliance with this requirement (if enacted).

We will continue to monitor developments and provide additional details if the COBRA subsidy is enacted into law.