

PRESIDENT SIGNS EXTENSION AND EXPANSION OF COBRA PREMIUM ASSISTANCE

Although possibly missed by many in the year end rush, employers need to be aware of a significant change in the temporary COBRA premium assistance program originally enacted as part of the federal stimulus legislation in February of last year. The extension and expansion became law in December when President Obama signed a defense spending bill which included new provisions designed to assist unemployed workers with the cost of health insurance.

The February legislation provided for a subsidy of 65% of the cost of COBRA coverage for 9 months for those involuntarily terminated from September 1, 2008 through the end of 2009. This new legislation makes the following significant changes:

- The subsidy is now available for 15 months, rather than 9 months.
- The eligibility period is extended for two months – for involuntary separations through Feb. 28, 2010.
- Individuals for whom the subsidy had expired and who paid the full premium in December may seek a refund or a credit against future payments.

Employers are required to provide notice to laid-off workers of these changes in the COBRA subsidy. Because the extension affects the rights of employees who have already received a COBRA notice, you will be required to provide them an updated notice.

As before, as an employer you will be entitled to receive a credit against your payroll taxes in the amount of the COBRA subsidy payments made. If you pay subsidies in excess of your payroll taxes owed, the Treasury is to reimburse you for the excess.

We expect that the Department of Labor will shortly publish new model notices.

We anticipate numerous questions in the weeks ahead as this extension and expansion is implemented.

Feel free to contact Paul Holtzman at (617) 482-7211 with any questions.