



What Employers Need to Act On





What is the COBRA Subsidy?

ARPA offers relief by providing a federal subsidy equal to the entire COBRA premium cost for up to six months from April 2021 through September 2021.





Who is eligible for the subsidy?

Assistance Eligible Individuals or AEI's

Has lost group health coverage because of the employee's:

- Reduction in hours (voluntary or involuntary); or
- Involuntary termination of employment (except for gross misconduct)

Eligible for continuation coverage under the federal COBRA law or a state's mini-COBRA law;

Not eligible for:

- Other group health coverage; or
- Medicare



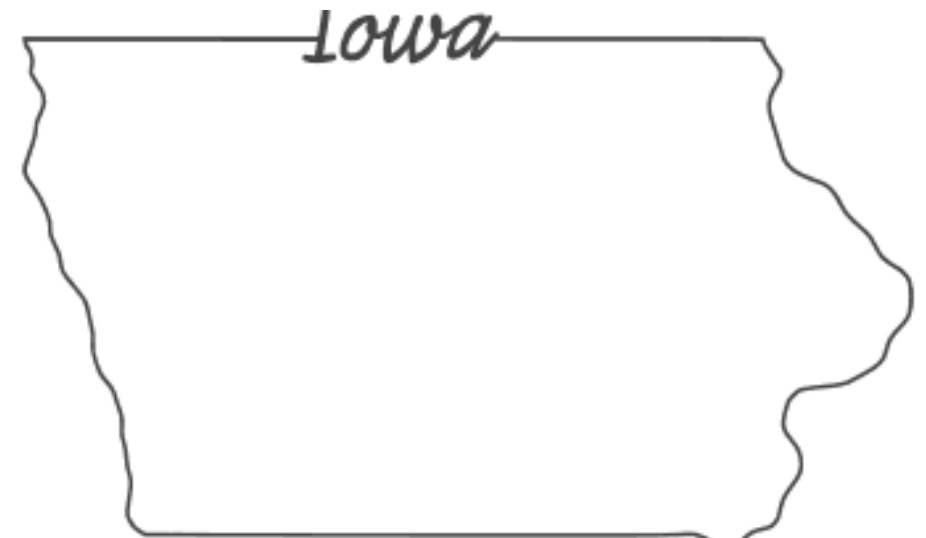
Does this apply to you?

1. All Group health plans that are subject to the *federal COBRA law*
 - Medical, dental, and vision coverages, and traditional health reimbursement arrangements (HRAs), are eligible for the subsidy.
 - Health flexible spending accounts (FSA's) are excluded
 - The only exceptions from federal COBRA are small employer plans (employers with fewer than 20 workers) and church plans
2. All Group health insurance policies that are subject to a state's continuation coverage law (so-called *mini-COBRA*)

Nebraska State Continuation – Mini COBRA

In the state of Nebraska, employees are eligible for 6 months of COBRA coverage for involuntary termination of employment (other than for misconduct).

In the state of Iowa, employees are eligible for 9 months of COBRA coverage for involuntary termination of employment (other than for misconduct).





How does it work?

Federal COBRA Applies

The employer pays or waives the AEI's COBRA premium each month

The employer claims the subsidy amount as a credit against its quarterly Medicare payroll taxes.

- If the employer's subsidy expense exceeds the amount of Medicare taxes, the IRS will provide the tax credit as a refund to the employer.



How does it work?

Federal COBRA Does Not Apply (Mini COBRA)

The carrier will pay or waive the AEI's premium and then collect reimbursement through a federal tax credit.





What do AEIs have to do to get the subsidy?

- ✓ AEI must be offered COBRA
- ✓ Elect the coverage to the request the subsidy
- ✓ Confirm that they are not eligible for another group health plan or Medicare

A penalty of \$250 dollars (or if the failure is fraudulent, the greater of \$250 or 110% of the amount of the premium assistance provided after termination of eligibility).

What is the subsidy period?

April 1, 2021 to September 30, 2021

ARPA requires plans to identify persons who lost their coverage due to reduced work hours or involuntary separation, provided their maximum COBRA period would have run past April 1, 2021.





What are the key action items for employers?

STEP 1: Identify all potential AElS

STEP 2: Notify AElS of the new COBRA subsidy

The DOL provides model notices for your use:

- Model General Notice and COBRA Continuation Coverage Election Notice
- Model Notice in Connection with Extended Election Period
- Model Alternative Notice
- Model Notice of Expiration of Premium Assistance
- Summary of COBRA Premium Assistance Provisions under the American Rescue Plan Act of 2021

STEP 3: Claim subsidy amount as tax credit

COBRA Model Notices





Election Notices

Model General Notice
and COBRA
Continuation Coverage
Election Notice


For **ALL** federal COBRA events between
April 1, 2021 through September 30,
2021

Model Notice in
Connection with
Extended Election
Period

For prior COBRA qualifying events; the
so-called "second chance" election
opportunity. Period November 2019 to
March 2021.

Model Alternative
Notice


- For employers subject to State
Continuation Coverage or "mini" COBRA



Summary of COBRA Provisions

Summary of
COBRA
Premium
Assistance
Provisions
under the
ARPA of 2021

Must be
included
with all
three
Election
Notices



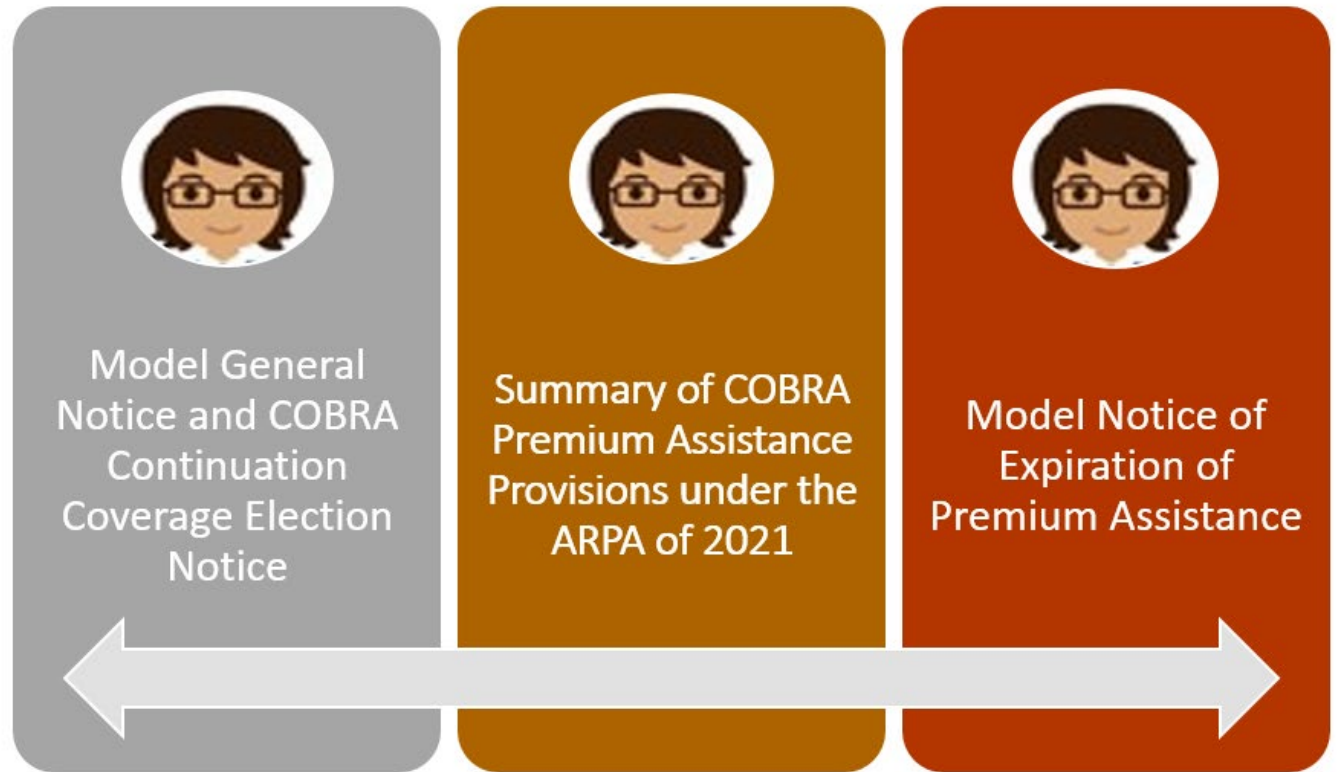
End of Subsidy Notice

Model
Notice of
Expiration
of
Premium
Assistance

For individuals
receiving the
subsidy; notify
individual 15-
45 days before
subsidy period
expires

Example 1

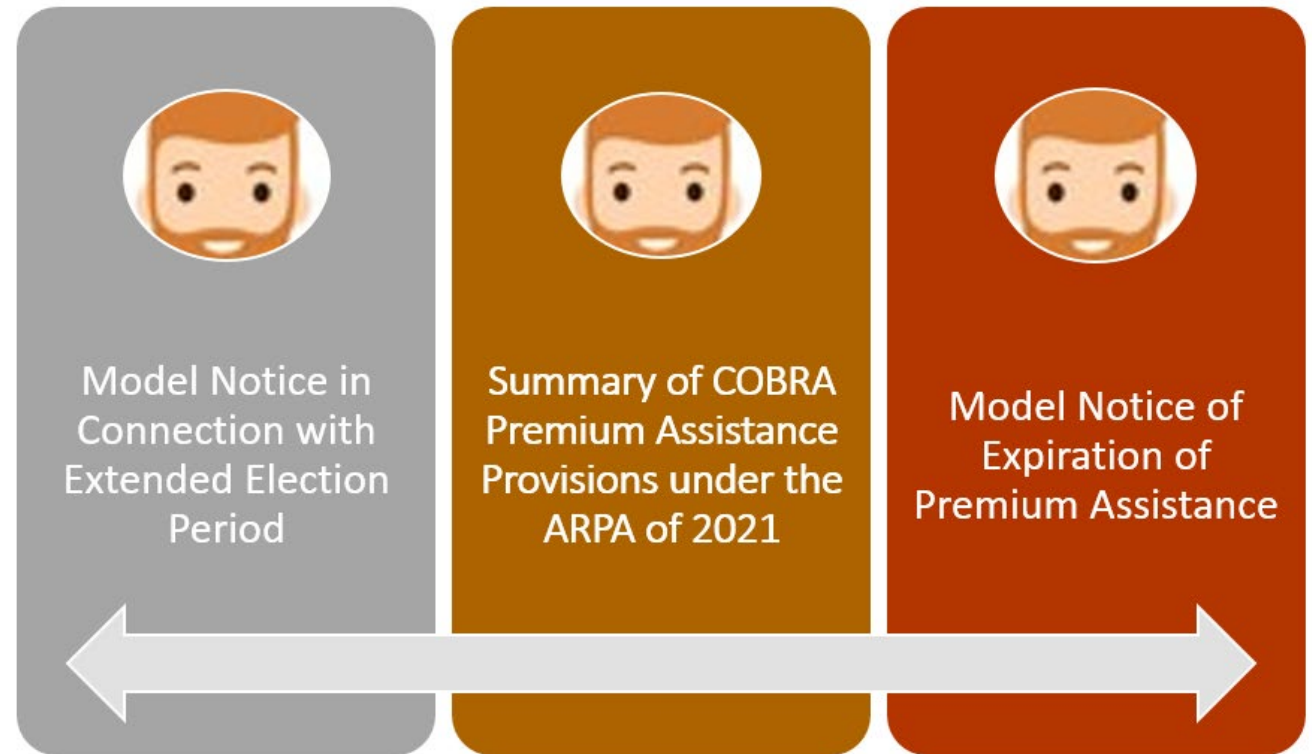
Jill is laid off April 9, 2021, from a company with 110 employees. She is eligible for the 6-month subsidy.



Example 2

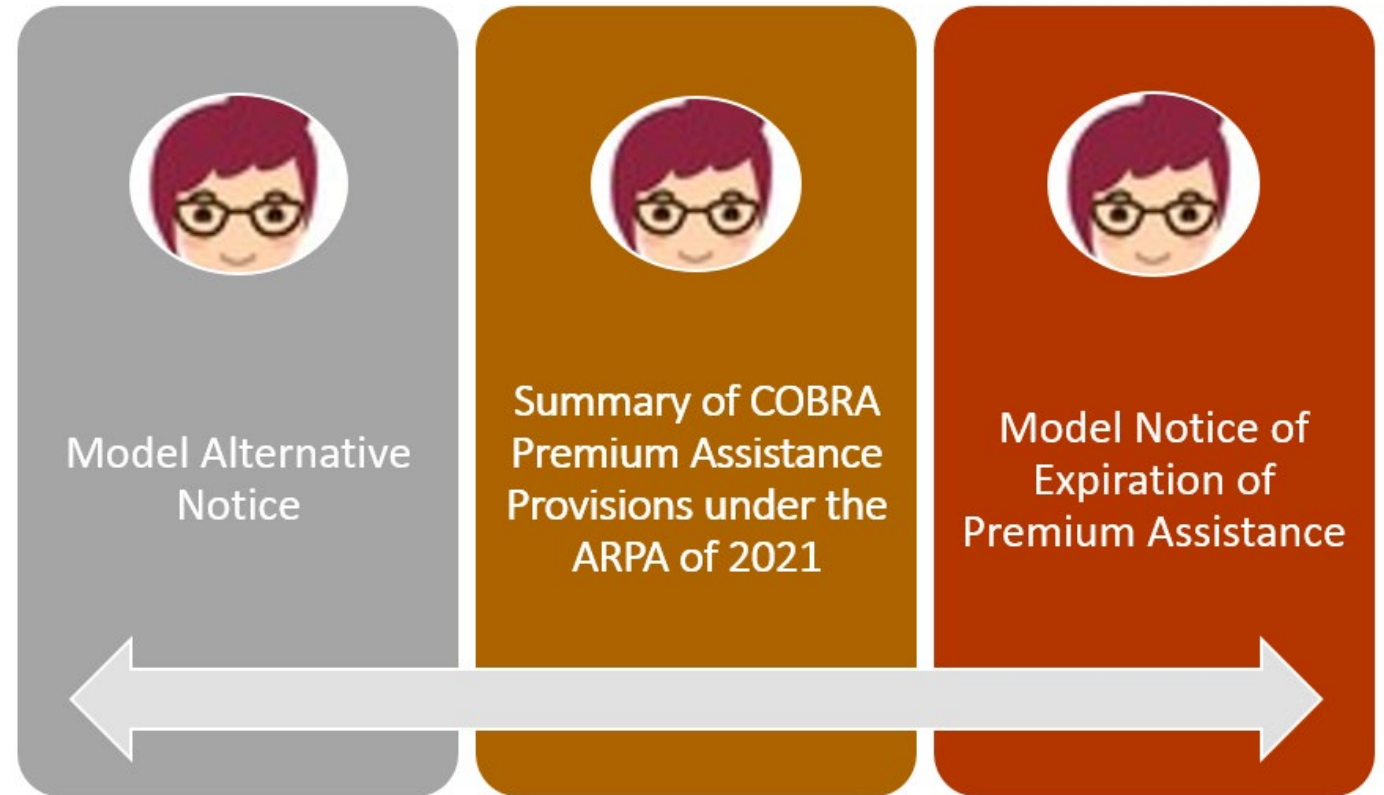
John was terminated due to performance January 9, 2020. He did not originally elect COBRA but is eligible for the *3 months of the subsidy.

*There are only 3 months remaining for his eligibility. April 2021 to June 2021 since that is when his original 18 months of COBRA would end.



Example 3

Suzi's job was eliminated March 2021. Her Nebraska employer has 15 employees and offers a group health plan. Suzi is eligible for the 6-month State Continuation (mini-COBRA) in the state of Nebraska.





CHANGE OF PLANS

Can AEIs make a
change when they
elect COBRA with
the subsidy?

Employers have the option of allowing AEIs to change their medical plan election to a **lower-cost plan**.



What are the important deadlines?

Employers need to provide COBRA notices, including information about the subsidy option, within 14 days of the COBRA event.

Persons who lost coverage due to reduced hours or involuntary termination before April 1, 2021, now have a second chance to elect COBRA and request the subsidy. The deadline to notify them is May 31, 2021. They will have 60 days from the time they are notified to elect COBRA with the subsidy.



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COBRA Penalties

\$100 per day, per individual,
per violation

\$110 per day from the date
of the compliance failure



Stay In The Know



www.TheOlsonGroup.com/HR-Consulting

DOL Webpage:

<https://www.dol.gov/agencies/ebsa/laws-and-regulations/laws/cobra/premium-subsidy>





Questions
