

## **On March 11, 2021, the American Rescue Plan Act of 2021 (ARPA) was signed into law by President Biden.**

- ARPA includes a 100% COBRA subsidy for up to six months for individuals who lost health coverage because of involuntary termination or reduction of hours during the pandemic.
- ARPA also provides an extended election period for those who would be eligible to receive the subsidy but did not initially elect COBRA or who let their COBRA coverage lapse. Read more about the ARPA provisions [here](#).

Regulations regarding the COBRA subsidy are forthcoming and the Internal Revenue Service (IRS) and Department of Labor (DOL) are planning to issue guidance to clarify implementation procedures in the near-term future.

### **Who's eligible for the COBRA subsidy?**

Eligible employees, referred to in the law as Assistance Eligible Individuals (AEIs) are those:

- With COBRA eligibility between November 1, 2019 and September 30, 2021, even if they did not previously elect COBRA or elected COBRA and cancelled before the end of the term;
- that lost coverage due to:
  - an involuntary termination of employment (other than by reason of gross misconduct); or
  - a reduction in hours; and
  - who enroll in COBRA coverage as of April 1, 2021 or who elect COBRA coverage during the 60-day period following the date they are notified of this premium subsidy and corresponding election

### **How many are qualified now?**

Currently we have 5 eligible COBRA enrollments that qualify. Human Resources is calculating the overall cost of the plans and impact during the subsidy period.

### **How long will the subsidy last?**

From April 1, 2021, through September 30, 2021.

### **If someone voluntarily resigned, are they eligible for the subsidy?**

No. The subsidy is not available for employees who voluntarily left their job.

### **Are individuals who previously declined or discontinued their COBRA coverage eligible for the subsidy?**

Yes, the subsidy extends to those who may have declined or discontinued their COBRA coverage, as long as they are still within their coverage period.

### **Do all employers need to provide the subsidy and enrollment options to employees?**

All group health plans (including insured and self-funded plans) subject to COBRA and state continuation (except health flexible spending accounts (FSA)) must provide this subsidized coverage.

### **How does the subsidy work?**

The employer, insurer or multiemployer plan sponsor will offset the cost through a payroll tax credit against the Section 3111(b) Medicare tax. The credit includes the entire COBRA premium, including the 2% administrative fee. The credit is refundable. If an employer's COBRA premium costs for affected plan participants exceed their Medicare payroll tax liability, they can file to get direct payment of the remaining credit amount.

### **What is the process for an employer that needs to file for the tax credit? Which forms will be used?**

This information will be forthcoming as the IRS and DOL plan to release finalized regulations and guidance to clarify tax credit procedures in the near-term future.

### **What notices are required for employers to provide impacted employees and their eligible dependents?**

Employers are required to provide notice of the availability of the subsidy, notice of the extended election period for COBRA coverage, and notice of the expiration of the subsidy. The DOL is supposed to issue model notices by April 10, 2021. Employers who rely on a third-party administrator (TPA) for COBRA should confirm that the TPA will send the required notices to those eligible and will provide you with the information necessary to claim the payroll tax credit. Employers will need to advise the TPA of which individuals are eligible for the subsidy.