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**CLIENT ALERT**

**COBRA Health Insurance Premium Subsidy Extended Through March 31, 2010**

On March 2, 2010, President Obama signed into law the Temporary Extension Act of 2010, which includes a measure extending eligibility for the Consolidated Omnibus Budget Reconciliation Act (“COBRA”) premium subsidy program, which otherwise would have expired on February 28, 2010.

**The Subsidy Program**

The American Recovery and Reinvestment Act of 2009 (“ARRA”), as amended, provides a federal subsidy for eligible individuals to cover 65% of the cost of COBRA continuation coverage premiums for a period of fifteen (15) months. Specifically, employees pay 35% of the cost of their premium and the employer pays the remaining 65%. The employer may then claim tax credit against periodic deposits for wage withholdings and payroll taxes for the amount of COBRA subsidy payments. (See our Client Alert dated December 23, 2009, available at [http://www.putneylaw.com/cu\\_122309.html](http://www.putneylaw.com/cu_122309.html)).

**The Extension**

The new law extends the eligibility deadline through March 31, 2010. In addition, COBRA coverage need not begin by March 31, 2010. Instead, employees who are involuntarily terminated before March 31, 2010, but whose COBRA coverage starts after March 31, 2010, will qualify for the subsidy. The new law also makes the COBRA extension retroactive to February 28, 2010. Accordingly, the individuals who were involuntarily terminated on March 1 or 2, 2010 are eligible for the subsidy.

Employers and health plan administrators must revise their COBRA notices to reflect the new March 31, 2010 subsidy eligibility expiration date. We are available to help you in this regard.

**Pending Legislation**

The short-term extension of the COBRA subsidy is apparently intended to give Congress additional time to consider legislation that would provide a longer extension of the COBRA subsidy. Specifically, a bill pending before the Senate seeks to extend the COBRA subsidy program through December 31, 2010.

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If you should have any questions regarding the COBRA subsidy program or the necessary revisions to COBRA notices, please contact us.

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