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CLIENT ALERT

Extended and Expanded COBRA Subsidy Requires New Notices

The Consolidated Omnibus Budget Reconciliation Act (“COBRA”) premium subsidy, originally part of the American Recovery and Reinvestment Act of 2009, was recently extended and expanded by the Department of Defense Appropriation Act to continue through February 28, 2010 and to lengthen the period of the subsidy from nine to fifteen months. (See our Client Alert dated December 23, 2009, available at http://www.putneylaw.com/cu_122309.html).

As part of the expanded COBRA Subsidy, employers and health plan administrators must send new notices to individuals involuntarily terminated and otherwise qualifying under the program as an “assistance eligible individual.” The Department of Labor (“DOL”) has released model notices to help employers and health plan administrators comply with these notification obligations. There are three “notice packages,” tailored to fit different types of plans and individuals: an Updated General Notice; a Premium Assistance Extension Notice; and an Updated Alternative Notice. These notices are available on the DOL website at www.dol.gov/ebsa/COBRAModelNotice.html.

The DOL recommends that a notice be provided to all employees who separated from employment between September 1, 2008 and February 28, 2010, regardless of whether the employer views the terminations as voluntary or involuntary. The categories of notices listed above may overlap, making certain individuals entitled to multiple notices. According to the DOL, providing the Premium Assistance Extension Notice by the earliest date required will satisfy the notice requirements.

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Employers and health plan administrators should take steps to review their COBRA systems to ensure they reflect the extended subsidy period for eligible individuals. We are available to assist you in this regard.

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