# Stimulus Package includes 65% subsidy for COBRA Health Insurance Programs

*Legal Alert*

April 26, 2008

Enacted just prior to the publication of this newsletter, the American Recovery and Reinvestment Act of 2009 provides for a government subsidy of 65% of COBRA premiums for employees laid off between September 1, 2008 and December 31, 2009. The subsidy for continuation coverage applies to coverage required to be offered under COBRA by employers of at least 20 employees, but also includes continuation coverage required under State laws, such as New Jersey's, that requires such coverage from employers of less than 20 employees. The subsidy took effect on March 1, 2009.

- The subsidy is limited to individuals whose adjusted gross income does not exceed $145,000 (or $290,000 for joint filers) and is phased out for those with adjusted gross income between $125,000 and $145,000 (or $250,000 and $290,000 for joint filers).
- For individuals who were laid off between September 1, 2008 and the effective date of the subsidy (March 1, 2009), there is a special 60 day election period for them to enroll for the COBRA benefits and the subsidy. A new notice must be given to eligible participants entitled to the special election within 60 days of enactment (April 18, 2009). The Secretary of Labor is to issue model language for this notification within 30 days of the Act's enactment
- The notice of COBRA continuation coverage that a plan administrator is required to provide to eligible participants must now include a description of the right to the subsidy and the obligation.
- While COBRA coverage generally extends for a period of 18 months, the COBRA subsidy generally will not be for more than 9 months.
- While employers will bear the responsibility for the initial payment of the premiums, they will be reimbursed for the subsidized portion of COBRA through a credit to their payroll tax liability.

Our attorneys are prepared to offer additional information on the details of this recently enacted law.

## ATTORNEYS MENTIONED

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