



Important COBRA Update

If that hefty and tedious economic-stimulus legislation is still in your In-box waiting to be read, here is one tidbit that employers should know immediately: employers must now pay a 65% subsidy toward continuation health care coverage for certain involuntarily terminated workers. Employers can then get a refund by taking a credit against payroll taxes on Line 12a of the revised Form 941.

Employers have until April 18 to notify laid-off employees who did not initially elect COBRA of their rights to receive the subsidy. To qualify for the subsidy, a worker must have been involuntarily terminated between September 1, 2008 and December 31, 2009. New notice must be sent, even to employees who previously got COBRA notices but did not initially elect continuation coverage. Although the requirement to resend notice is retroactive to terminations occurring as of September 1, 2008, the subsidy only starts March 1 and ends upon the sooner of 9 months, when the individual receives a new job that offers health care coverage (regardless of whether the new employer's coverage is elected), or when the person is Medicare-eligible. There are some income limitations that could cause a person who elects coverage to have to repay part of the subsidy.

For small employers not covered by COBRA, the notice requirement still applies to group health plans regulated by state law, with some minor variations. For more information or to receive an employer bulletin about the subsidy, please contact Joëlle Khouzam, Elizabeth Kuhn, Brigid Heid, or your CPM attorney.