

THOUGHT LEADERSHIP

News

ARPA COBRA FAQs and Model Notices

Newsbrief

12 APR 2021

In our last bulletin, we discussed the American Rescue Plan Act's (ARPA) requirement to provide COBRA continuation coverage premium assistance. Under this provision, eligible individuals who elect COBRA continuation coverage will have their COBRA premiums paid for by their employers from April 1, 2021 through September 30, 2021. Employers will then receive a tax credit for the amounts paid.

Last week, the United States Department of Labor (DOL) released FAQs and model notices for this provision. The model notices must be sent to eligible individuals by May 31. There are several model notices available, including one for individuals newly entitled to COBRA coverage, one for individuals currently enrolled in COBRA or who are now eligible for premium assistance under the extended coverage period, and one for continuation of coverage via a state mini-COBRA law. (Importantly, Texas has a mini-COBRA law that applies to employers with less than 20 employees.)

In general, premium assistance is available only from April 1, 2021 through September 30, 2021. Premium assistance ends when the eligible individual becomes eligible for other group health coverage, such as under a new employer's plan or a spouse's plan, or under Medicare. Individuals who previously declined COBRA but who are otherwise eligible for it under the extended coverage period (generally for qualifying events occurring after October 1, 2019) must be provided with notice of their right to premium assistance.

The DOL also warned that employers who fail to provide continuation coverage premium assistance or fail to provide notice may be subject to an excise tax, as much as \$100 per qualified beneficiary, but not more than \$200 per family, for each day that the taxpayer is in violation of the COBRA rules.

As stated previously, the model notices must be issued by May 31, 2021. Now is the time to work with your benefits provider and/or third party administrator regarding who is to receive notice as well as developing your plan as to how and when to provide notice. There are still some unsettled questions, for example, does premium assistance apply to health insurance coverage other than medical coverage or what constitutes an involuntary termination thus making the former employee eligible for premium assistance. We will update our guidance as these questions are answered.

Be safe and stay the course. And of course, let us know if we can help.

Thanks, Jack, Elizabeth and Jim