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Issue: # 5

April 19, 2010

The Continuing Extension Act of 2010, H.R. 4851, was signed into law April 15, 2010. The Act extends eligibility for the COBRA health insurance 65% subsidy for people who have lost their jobs through May 31, 2010 and provides transition relief for individuals who lost their jobs between April 1, 2010 and April 15, 2010.

The COBRA Subsidy was originally provided for under The American Recovery and Reinvestment Act of 2009 (ARRA). This was later amended by the Department of Defense Appropriations Act (2010 DOD Act) on December 19, 2009 and the Temporary Extension Act of 2010 (TEA) on March 2, 2010.

Highlights are as follows:

Eligibility

To qualify, individuals must involuntarily be terminated from employment during the period September 1, 2008 through May 31, 2010. TEA clarifies that employees may receive the COBRA subsidy if they lost group health coverage due to a reduction in work hours after September 1, 2008 and were later terminated.

The maximum period of continuation coverage is generally measured from the date of the original qualifying event (generally 18 months for Federal COBRA). However, ARRA, as amended by TEA, provides that the 15 month premium reduction period begins on the first day of the first period of coverage for which an individual is "assistance eligible." For individuals who experience an involuntary termination subsequent to a reduction of hours, only those who have additional periods of COBRA coverage remaining after becoming assistance eligible are entitled to the premium reduction.

Subsidy

A Federal subsidy equal to 65% of the COBRA premium that an Assistance Eligible Individual would be required to pay is available for up to 15 months.

Duration

The subsidy is effective the first period of coverage beginning after ARRA becomes law (for most plans, March 1, 2009) or the date of the loss of coverage, if later. For individual participants the subsidy will terminate at the earliest of:

- The exhaustion of the 15 month period
- The date on which their COBRA coverage terminates
- The date the individual becomes eligible for coverage under another group health plan

Transition Period

Certain transition rules, similar to those in TEA, apply to individuals who experience a qualifying event related to a termination of employment between April 1, 2010 and April 15, 2010.

Additional legislation is currently being considered to further extend the COBRA 65% subsidy through the end of 2010. Harbridge will monitor the progress of this legislation and provide additional updates as it progresses.

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