



### COBRA Health Insurance Subsidy Extended Again

The COBRA health insurance subsidy has been extended once again. The extension was signed into law by President Obama on March 2, 2010 when he signed H.R. 4691, the Temporary Extension Act of 2010. The legislation will provide additional assistance to individuals who have lost their jobs and have opted to continue their former employer's health benefits under the Consolidated Omnibus Budget Reconciliation Act (COBRA). The measure extends the 65 percent federal subsidy for COBRA established by the American Recovery and Reinvestment Act (ARRA), which originally applied only to employees who lost their jobs before December 31, 2009. The subsidy was extended in December 2009 by increasing the subsidy period from 9 to 15 months and increasing the eligibility period to go through February 28, 2010. This second extension will allow employees who are involuntary terminated through March 31, 2010 to take advantage of the subsidy program. In addition, the Temporary Extension Act of 2010 expands the definition of a qualifying event for COBRA subsidy purposes. In order to become eligible for the COBRA subsidy, an individual must become eligible for COBRA due to a qualifying event occurring between September 1, 2008 and March 31, 2010. This recent extension expands the definition of a qualifying event to include a reduction of hours occurring during the period of September 1, 2008 through March 31, 2010, followed by an involuntary termination of employment occurring on or after March 2, 2010 and before March 31, 2010. Plan administrators are required to notify those individuals affected by this expanded definition of qualifying event by notifying them of their new election opportunity. Employers should examine the number of employees who have suffered a reduction in hours between September 1, 2008 and March 31, 2010. If any of these employees are later involuntarily terminated between March 2, 2010 and March 31, 2010, they need to receive the appropriate notice. The Senate is currently considering the American Workers, State, and Business Relief Act of 2010, which would extend the 65% COBRA premium subsidy to apply for involuntary terminations through the end of 2010.

Written by: Allison Perry [Allison.Perry@leclairryan.com](mailto:Allison.Perry@leclairryan.com) 804.783.7568

This Client Alert provides general information and is not legal advice and should not be used or taken as legal advice for specific situations. You should consult legal counsel before taking any action or making any decisions concerning the matters in this Client Alert. This communication does not create an attorney-client relationship between LeClairRyan, A Professional Corporation, and the recipient.

Copyright 2010 LeClairRyan, A Professional Corporation. All rights reserved.

IRS Circular 230 Notice: Unless specifically stated otherwise, any tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.