

## COBRA Payments to be Subsidized

Andru H. Volinsky | 23 February 2009

Employees involuntarily terminated from their jobs between September 1, 2008 and December 31, 2009 will now be eligible to receive up to a 65% subsidy of their COBRA payments from the federal government under a provision of the recently signed stimulus legislation.

Ordinarily, employees eligible to participate in COBRA may continue their health insurance at their own cost for a period up to 18 months after their termination. Under the new legislation, 65% of the COBRA cost may be subsidized as long as the employee does not earn more than \$125,000 as an individual or \$250,000 as a married couple filing jointly in the year the subsidy is received.

This new provision will affect employers in three ways. First, employers (or health plans administering COBRA) will be required to provide notice of the subsidy provision. The US Department of Labor will issue model language within thirty days. Second, employers will pay the subsidy and be reimbursed through a credit against payroll taxes. Third, employees who have lost their jobs since September 1, 2008 will be given an additional 60 days to sign up for COBRA.

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