

Understanding the New Federal COBRA Premium Subsidy

As part of the American Rescue Plan Act (ARPA), signed into law Mar. 11, 2021, the federal government will pay 100% of COBRA insurance premiums for eligible employees and their covered relatives through September 2021.

PAYROLL TAX CREDIT

Per the ARPA, employers will pay the COBRA premiums for eligible employees and their covered dependents who have elected COBRA coverage as of Apr. 1, 2021. Employers will recoup the employee's portion of the COBRA premiums through a payroll tax credit in their quarterly Medicare FICA payroll taxes. The COBRA premium subsidy applies to fully insured and self-insured group health plans subject to federal COBRA; this includes County Health Pool plans.

Should the tax credit exceed the amount of payroll taxes an employer owes, the employer can submit Form 941 as part of their quarterly tax returns to obtain a refund. The Treasury Department also allows the credit to be advanced under certain conditions. If an eligible employee pays COBRA premiums between Apr. 1 through Sept. 30, 2021, those premiums must be refunded within 60 days.

INFORMING EMPLOYEES

As of May 31, employers must inform eligible employees that COBRA premium assistance is available. Employees are eligible if they lose employer-subsidized group health coverage because their working hours are reduced, or their employment is involuntarily ended. Neither the reduction in hours nor job loss needs to be directly caused by the COVID-19 pandemic for an employee to qualify. Eligible employees must elect to receive COBRA coverage.

The ARPA requires employers to provide employees with notices explaining their premium assistance period, the date of assistance expiration, and that they may be eligible for coverage without any premium assistance through COBRA continuation coverage or coverage under a group health plan. The Department of Labor published the following model notices to assist employers with meeting the conditions of the ARPA.

- [Model General Notice and COBRA Continuation Coverage Election Notice](#)
- [Model Notice in Connection with Extended Election Period](#)
- [Model Alternative Notice \(for COBRA coverage subject to state continuation requirements\)](#)
- [Model Notice of Expiration of Premium Assistance](#)
- [Summary of COBRA Premium Assistance Provisions under the American Rescue Plan Act of 2021](#)

The subsidy coverage period runs from Apr. 1 to Sept. 30, 2021, but may end earlier if an employee becomes eligible for another group health plan, a qualified small employer health reimbursement arrangement, a health flexible spending account, or becomes Medicare eligible. The subsidy may also end when an employee reaches their maximum COBRA continuation period, which is 18 months for most individuals but can be extended up to 29 months for individuals with a disability or 36 months should a second qualifying (i.e., divorce, childbirth) occur during initial continuation period.

WHAT THIS MEANS FOR COUNTIES

Counties should review the requirements of the ARPA and consult with their county attorneys to ensure that they are in compliance. CTSI staff will be assisting CHP members to implement the subsidy. For more information contact, CTSI at 303 861 0507.