

Extension of COBRA Coverage Period and New Subsidy for COBRA Premiums
Likely Part of the New Economic Stimulus Bill

William F. Sweetnam, Jr., Esq.
Brigen L. Winters, Esq.
Groom Law Group Chartered

Congress and the incoming Obama Administration are focused on legislation to provide stimulus to the faltering economy. Although much of the public discussion has been on what tax and spending proposals would most effectively provide an economic stimulus, key policymakers have decided to include provisions relating to COBRA continuation coverage to the economic stimulus bill. Today, the Chairman of the Ways and Means Committee of the House of Representatives outlined the tax-related provisions in an economic stimulus bill which included the following COBRA provisions:

Length of Coverage Extension. One provision would extend for individuals who are over age 55 or who have worked for an employer for 10 or more years the continuation coverage period under COBRA until they become Medicare eligible or receive coverage from another employer.

COBRA Premium Subsidy. Another provision would provide a 65 percent government subsidy to individuals who lost their jobs after September 1, 2008 to help them pay for their first twelve months of COBRA continuation coverage premiums. Key policymakers have considered providing the subsidy through an expansion of the current government program where the IRS provides an advance tax credit for health care premiums for certain individuals who have lost their jobs due to foreign competition or for certain individuals who participate in plans taken over by the Pension Benefit Guaranty Corporation. However, the number of eligible individuals under these programs is limited and the IRS may not be able to administer a program covering many more eligible individuals. Another alternative under consideration is for employers to advance the COBRA premium subsidy for eligible former employees with these advances being repaid to the employer through an offset of the employer's payroll withholding tax liability.

We will keep you informed as we learn more about these new COBRA provisions.