

Federal COBRA for groups with 20 or more employees

Employers subject to COBRA who employed 20 or more full- or part-time employees, regardless of hours worked, on typical business days throughout 2008. Employers in this category are responsible to collect only 35 percent of the COBRA premium from the former employee (and dependents) and claim a 65 percent payroll tax credit.

1. Extended Election — Action required by April 18, 2009

Employees who were involuntarily terminated (except for gross misconduct) on or after September 1, 2008, (*see note 1) along with their dependents (*see note 2) and who either did not elect COBRA or elected COBRA but subsequently terminated their COBRA coverage:

Modify and send the Department of Labor's (DOL') new COBRA model notice (found at www.dol.gov/ebsa/COBRA.html) in connection with Extended Election Periods to meet your group's needs — by April 18, 2009. These former employees have 60 days to elect COBRA. Coverage must be retroactive to March 1, 2009.

2. Currently on COBRA

Employees who became eligible for COBRA for any reason on or after September 1, 2008, along with their covered dependents, and who elected and are currently covered under COBRA:

Modify and send the DOL's General Notice (Abbreviated version) to meet your group's needs. In this case the U.S. Department of labor requires the abbreviated form to be used for all qualifying events even though not all COBRA-eligible individuals are eligible for the subsidy. See DOL FAQs for Employers About COBRA Premium Reduction Under ARRA, Q&A 16.

3. COBRA notice not yet sent

Employees who became eligible for COBRA for any reason between September 1, 2008, through December 31, 2009 (and their covered dependents), who have not yet received a COBRA election notice:

Modify and send the DOL's General Notice (Full version) to meet your group's needs. The U.S. Department of Labor requires the full form to be used for all qualifying events even though not all COBRA-eligible individuals are eligible for the subsidy. See DOL FAQs for Employers About COBRA Premium Reduction Under ARRA, Q&A 14 & 15.

- Note 1. Individuals who lose coverage due to an employee's involuntary termination on or before December 31, 2009, must also lose plan coverage on or before December 31, 2009, to be eligible for the subsidy. If the loss of coverage occurs on or after January 1, 2010, the former employee and dependents are not subsidy eligible. See IRS Notice 2009-27, Q&A-13. However, if the employee is involuntarily terminated and loses coverage on or before December 31, 2009, the individual may elect COBRA on or after January 1, 2010 and be eligible for the subsidy. See IRS Notice 2009-27, Q&A-18, <http://www.irs.gov/pub/irs-drop/n-09-27.pdf>.
- Note 2: Dependents who experienced a prior COBRA qualifying event such as divorce or loss of dependent status may continue COBRA, but are not subsidy eligible due to the employee's later involuntary termination and subsequent loss of coverage. See IRS Notice 2009-27, Q&A-15, <http://www.irs.gov/pub/irs-drop/n-09-27.pdf>.