

New COBRA Regulations Under the Stimulus Plan

by Joette S. Doran, Esq.

On Feb. 17, 2009, President Barack Obama signed the American Recovery and Reinvestment Act, commonly called the Stimulus Plan. Group coverage continuation laws require employers to offer employees who lose group coverage the opportunity to continue their employer-based health insurance. COBRA is the federal law that requires employers with 20+ employees to provide group continuation coverage. State law requires employers of any size to provide group continuation coverage. In general, the Stimulus Plan provides a temporary 65 percent premium subsidy to former employees whose employment was involuntarily terminated and who elect to continue group health plan coverage under the COBRA. The COBRA premium subsidy is 65 percent of the amount that the individual would otherwise pay for COBRA coverage from March 1, 2009 forward. Unemployed workers will be required to pay the remaining 35 percent of the cost of their COBRA coverage. The provisions apply to most unemployed workers who are or have been involuntarily terminated between September 1, 2008 and December 31, 2009. The subsidy is not available to workers whose income in the year they receive the subsidy exceeds \$125,000 for individuals and \$250,000 for couples filing joint tax returns. The COBRA premium subsidy will generally be available to individuals for nine months, but not longer than the period of COBRA coverage,



which is generally 18 months from the date of the involuntary termination of employment. The subsidy will be cut off sooner if the individual becomes eligible for coverage under Medicare or another major medical group health plan. An individual is subject to a penalty if he or she fails to notify the group health plan of the new health care coverage.

For additional employment information, please visit our Web site at—
www.joettedoran.com.

This article is not intended as legal advice. You should consult with an attorney for individual advice regarding your own situation.

Ms. Doran is licensed in Illinois, all Illinois federal courts and is a member of the Federal Trial Bar. She is the past chairperson of the Employment Law Committee for the Northwest Suburban Bar Association, a past president of Barrington Area Professional Women and a member of the National Employment Lawyers Association.