



COBRA SUBSIDY UNLIKELY TO BE EXTENDED FURTHER

The American Recovery and Reinvestment Act provided a 65% COBRA premium subsidy to eligible individuals involuntarily terminated between September 1, 2008, and December 31, 2009. Congress later extended the subsidy three times; most recently for those involuntarily terminated on or before May 31, 2010. (*For information regarding the original COBRA subsidy and the previous extensions, please see our archived E*Bulletins from [April 2010](#), [March 2010](#), [January 2010](#), [March 2009](#), and [February 2009](#).*)

It does not appear that the subsidy will be extended to those who are involuntarily terminated after May 31, 2010. Although earlier drafts of the American Jobs and Closing Tax Loopholes Act of 2010 (H.R. 4213) included an extension of the COBRA subsidy to those involuntarily terminated through the end of 2010, this was struck from the bill in order to trim \$7 billion from the cost of the legislation. The House passed the revised bill without the COBRA subsidy extension on May 28, 2010.

The Senate took up the bill after the Memorial Day break, and amendments were proposed that would have extended the subsidy. These were defeated via a 45–52 procedural vote, with 11 Democrats, all 40 Republicans, and Independent Joe Lieberman supporting a less expensive version of the bill. A version of the bill introduced in the Senate on June 16, 2010, does not extend the COBRA subsidy.

Accordingly, individuals who are involuntarily terminated on or after June 1, 2010, are not eligible for the COBRA subsidy and must pay the full cost of COBRA coverage (barring additional changes in Congress). Employers should review their COBRA qualifying event notices to insure that those terminating on or after June 1, 2010, are not promised the subsidy. Those who were involuntarily terminated prior to June 1, 2010, and are currently receiving the COBRA subsidy are not affected (although they will lose the benefit of the subsidy once they reach the maximum subsidy duration of 15 months).

We will continue to provide updates regarding COBRA as events warrant. For additional information and questions regarding these issues, please contact one of the members of our Employee Benefits, ERISA & Executive Compensation practice area listed below, or your Jones Walker relationship attorney. Additional health care resources are available via our [Health Care Reform Resource Center](#).

—[Anita B. Curran](#)



Remember that these legal principles may change and vary widely in their application to specific factual circumstances. You should consult with counsel about your individual circumstances. For further information regarding these issues, contact:

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