



American Rescue Plan Act 2021: Impacts COBRA & More

COLLEEN PATTERSON, MBA

CHRISTINE GUZZARDO, J.D.

SARA SIMKINS

April 6, 2021

DISCLAIMER

The Information herein should not be construed as legal or tax advice in any way.

Regulations, guidance and legal opinions continue to change. The preparer has gathered public information and has attempted to present it in an easily readable and understandable format. Situations vary, technical corrections and future guidance may vary from what is discussed in the presentation.

This is meant for informational content only. You should seek the advice of your attorney or tax consultant for additional or specific information.



AGENDA

- American Rescue Plan Act
- COBRA Election Extensions
- COBRA Premium Extensions
- COBRA Subsidies



AMERICAN RESCUE PLAN ACT



AMERICAN RESCUE PLAN ACT 2021 OVERVIEW

March 11, 2021 signed into law

- Refundable Tax Credits Available through September 30, 2021
- Additional Covered Reasons for Providing Paid Sick Leave
- Additional Covered Reasons for Providing Paid Family Leave
- Duration of Paid Sick and Family Leave for Receiving Tax Credits
- Amount of Tax Credits Available for Paid Sick Leave
- Amount of Tax Credits Available for Paid Family Leave
- Addition of Non-Discrimination Rules
- Unemployment Insurance program enhancements
- Short-term Compensation extension for states
- Employee Retention Credit extension
- **COBRA Subsidies**



COBRA EXTENDED DEADLINES



Outbreak Period



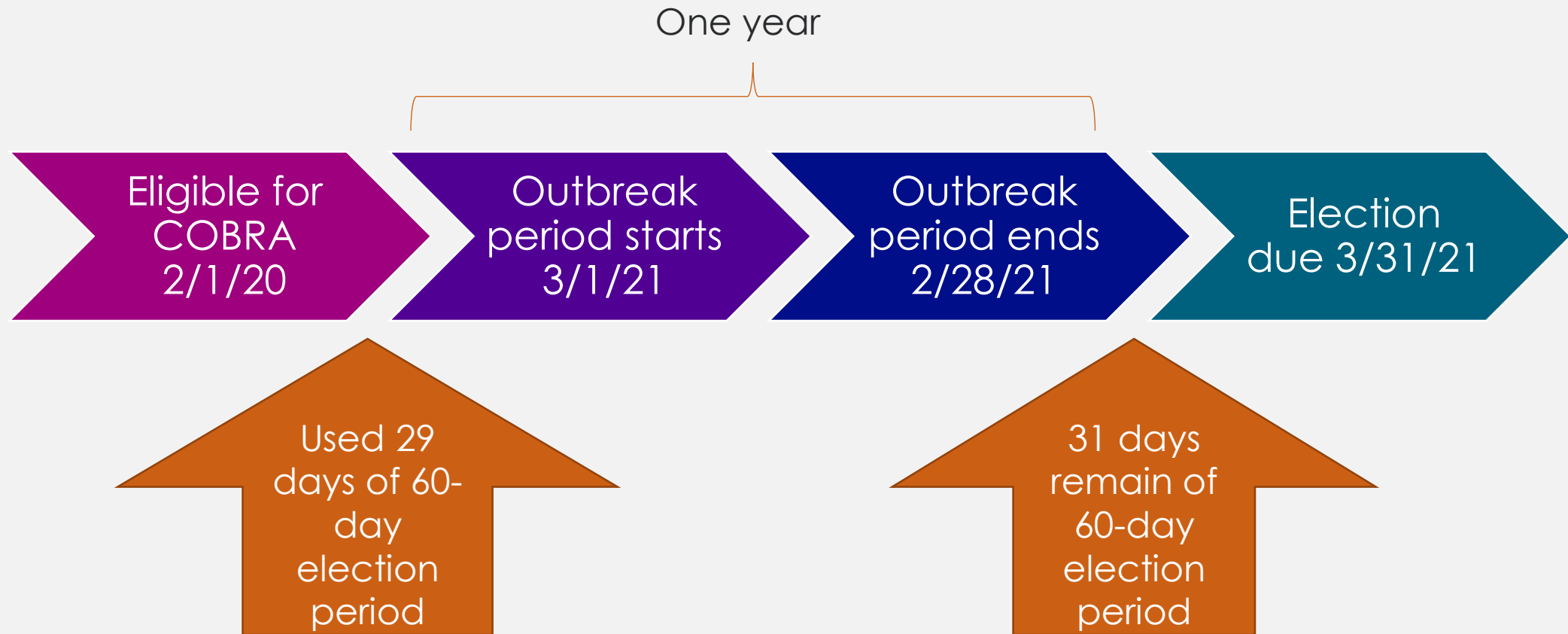
Outbreak Period Extensions

- 60 days after the National Emergency end, OR
- One year from the date first eligible for relief

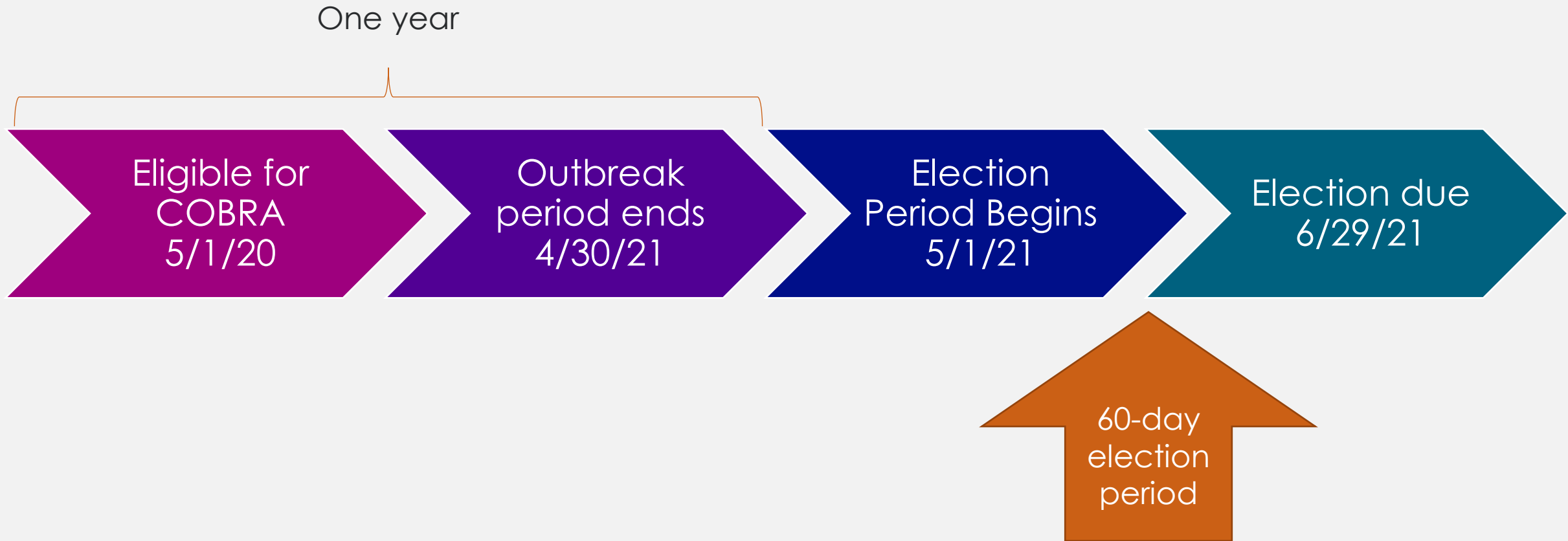
National Emergency ongoing

- Calculate Outbreak Period on each individual's event
- Will never exceed one year, plus applicable election or grace period

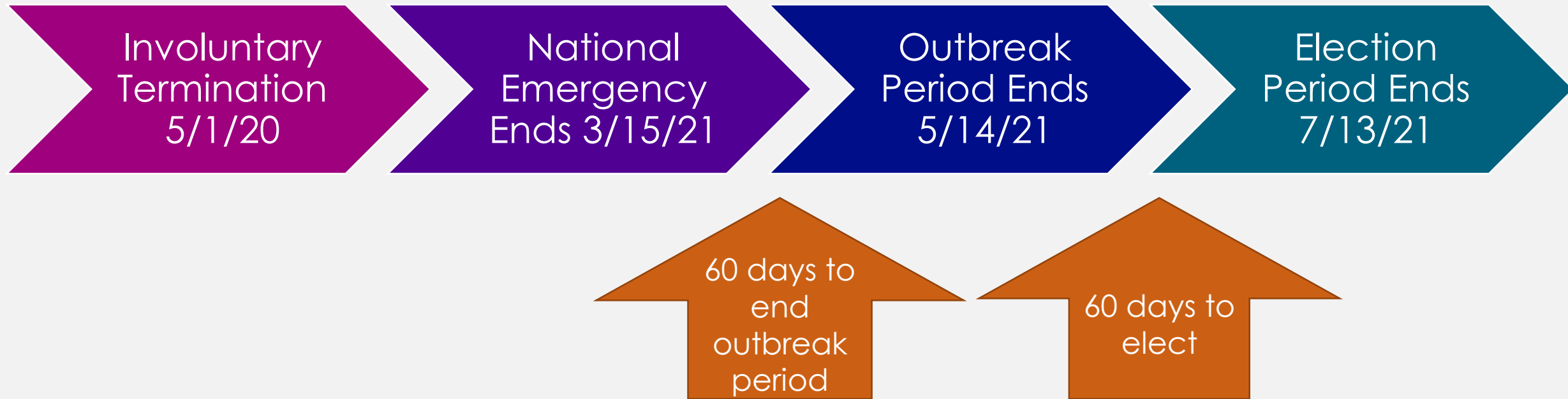
Example – 1 Year Rule



Example – 1 Year Rule



Example – National Emergency Ends



Premium Extensions



Example:

- First month paid within normal 45 days
- Next premium due 3/31/20 is now due 3/31/21

Clarity Needed

- Lump sum payment or monthly extensions?
- Notifying employees of the end of relief

COBRA SUBSIDIES



COBRA Subsidy



Subsidy Rules:

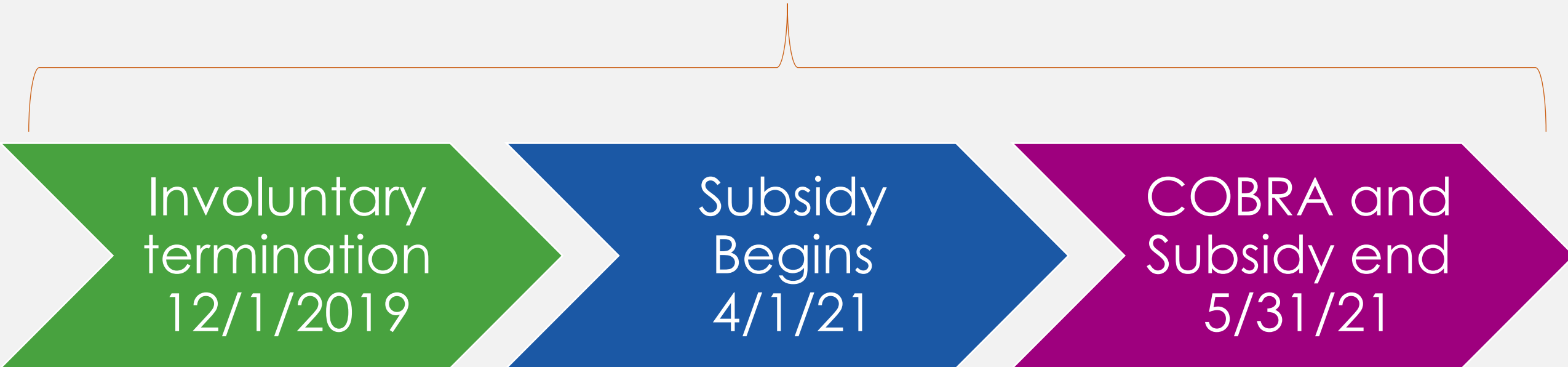
- 4/1/21-9/30/21
- 100% of cost, including 2% administration fee
- Assistance eligible individual (AEI) Must qualify

Recent Clarification

- Who claims the payroll credit
- Further guidance needed

Example – Receiving Partial Subsidy

Normal COBRA timeline: 12/1/2019 – 5/31/2021

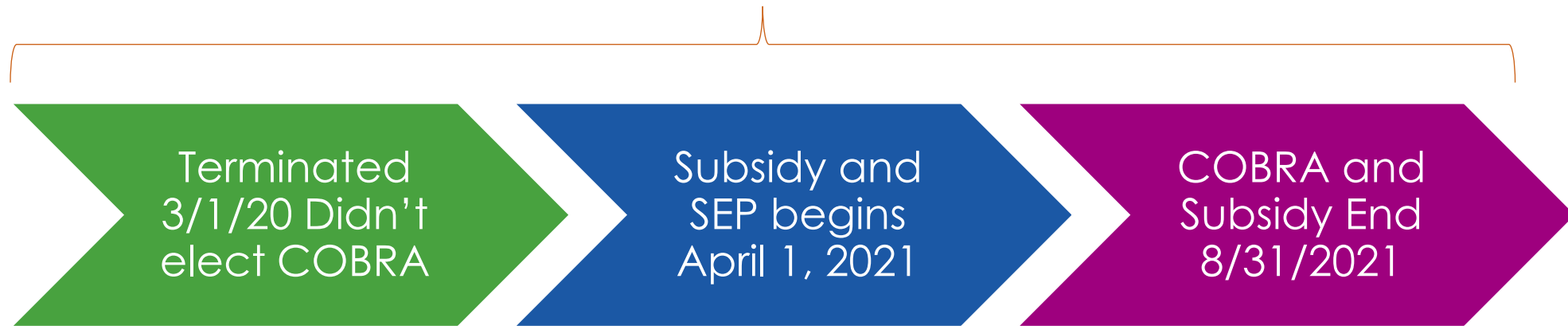


Take Note: ARPA does not require COBRA to be continuous, there is a second chance for qualified beneficiaries to **prospectively** elect coverage.

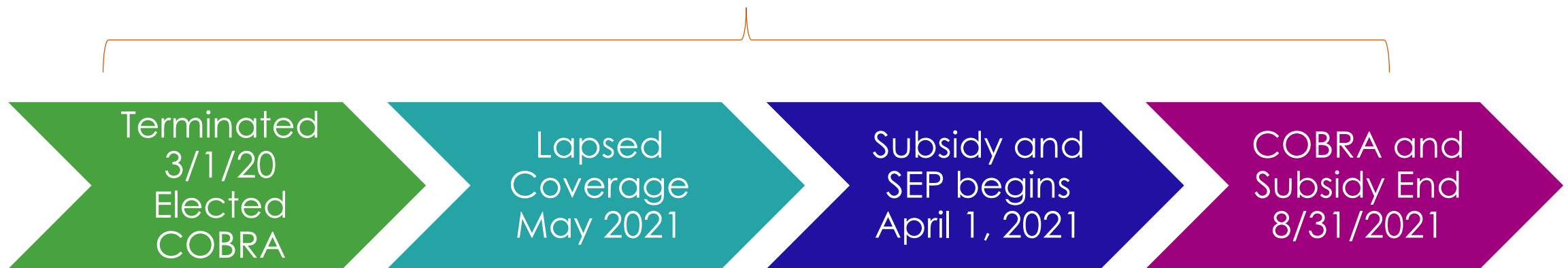


Example – Elections & Subsidies

Normal COBRA timeline: 3/1/20 – 8/31/2021



Normal COBRA timeline: 3/1/20 – 8/31/2021



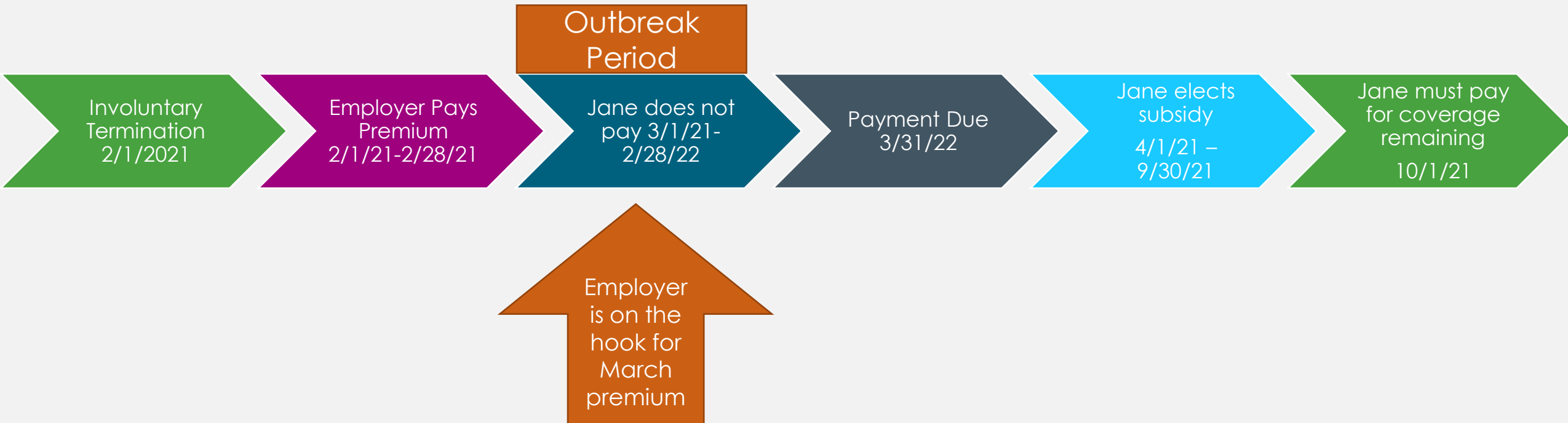
Example – Elections & Subsidies

Normal COBRA timeline: 5/1/20 – 10/31/2021



Did not pay,
elect, or
waive
coverage yet

Example – Outbreak Period & Subsidy

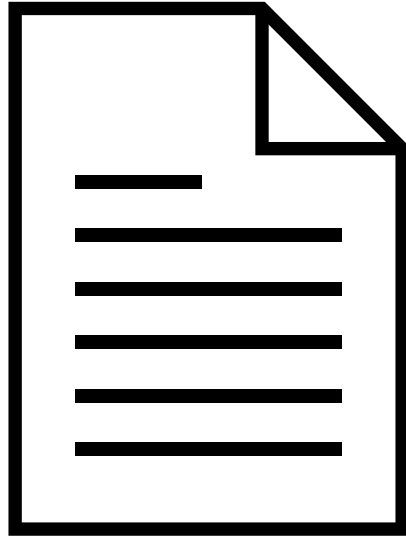


- Jane can be termed August 1, 2022 after 18 months of coverage
- Employer may try to collect premiums after outbreak period

NOTICE REQUIREMENTS



General Election Notice



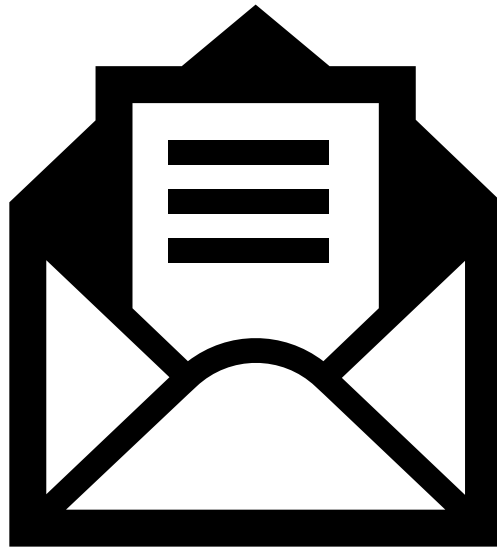
Three Notices

- General Election Notice
- Special Election Notice (2nd bite of the apple)
- Notice of Subsidy Expiration

General Election Notice

- First eligible during subsidy period
- Provides subsidy information
- Modify existing notices or wait for DoL

Special Election Period Notice



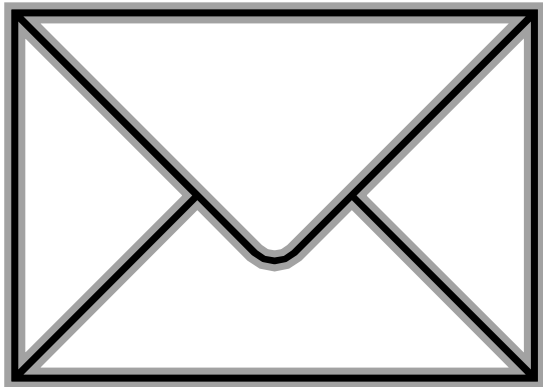
Special Election Period Notice

- All QBs who would otherwise be in coverage period
- Effective April 1, 2021
- DoL will provide by April 11th

Include:

- Necessary forms
- Employer information
- Right to subsidized coverage statement

Expiration of Premium Assistance Period Notice



Expiration of Premium Period Notice

- Premium assistance to end at a certain date
- At least 15 days before expiration
- No sooner than 45 days before expiration

Model Notice

- Expected from the DoL by April 26th
- Send to all who have a subsidy ending

HOW THE CREDITS WORK

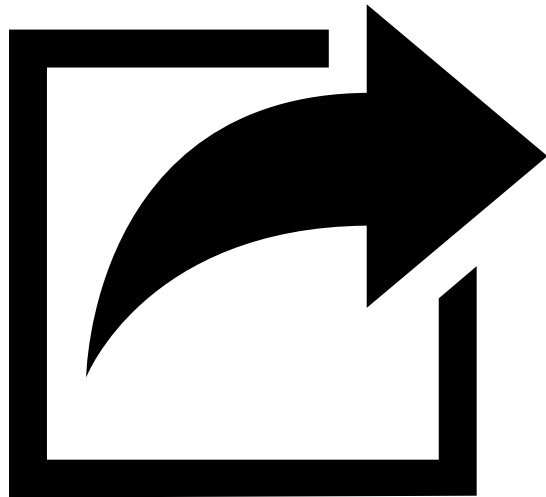


What Group Health Plans are Subject to the Premium Subsidy?

- Medical
- Dental
- Vision
- HRAs



Who Needs to Apply for the Credit & How



- Multi-employer plan- The Plan
- Employers with 20 or more employees
 - Self-funded plan- The Employer
 - Fully-insured plan- The Employer
- Employers with less than 20 employees
 - Self-funded plan- The Employer
 - Fully-insured plan – The Carrier

NEXT STEPS



What's Next

- Model notices expected shortly
- Additional guidance from DoL and IRS
- Clarity on Outbreak Period and subsidy rules



Next Steps

1. Reach out to your COBRA/payroll vendors
2. Examine data from November 2019 to current
3. Separate individuals who were involuntarily terminated or had a reduction in hours
4. Identify individuals who waived or lapsed coverage
5. Send general election notice and/or special election notice, as applicable
6. Update current notice package
7. Send notice of expiration 15-45 days before the subsidy ends



Q&A



THANK YOU

