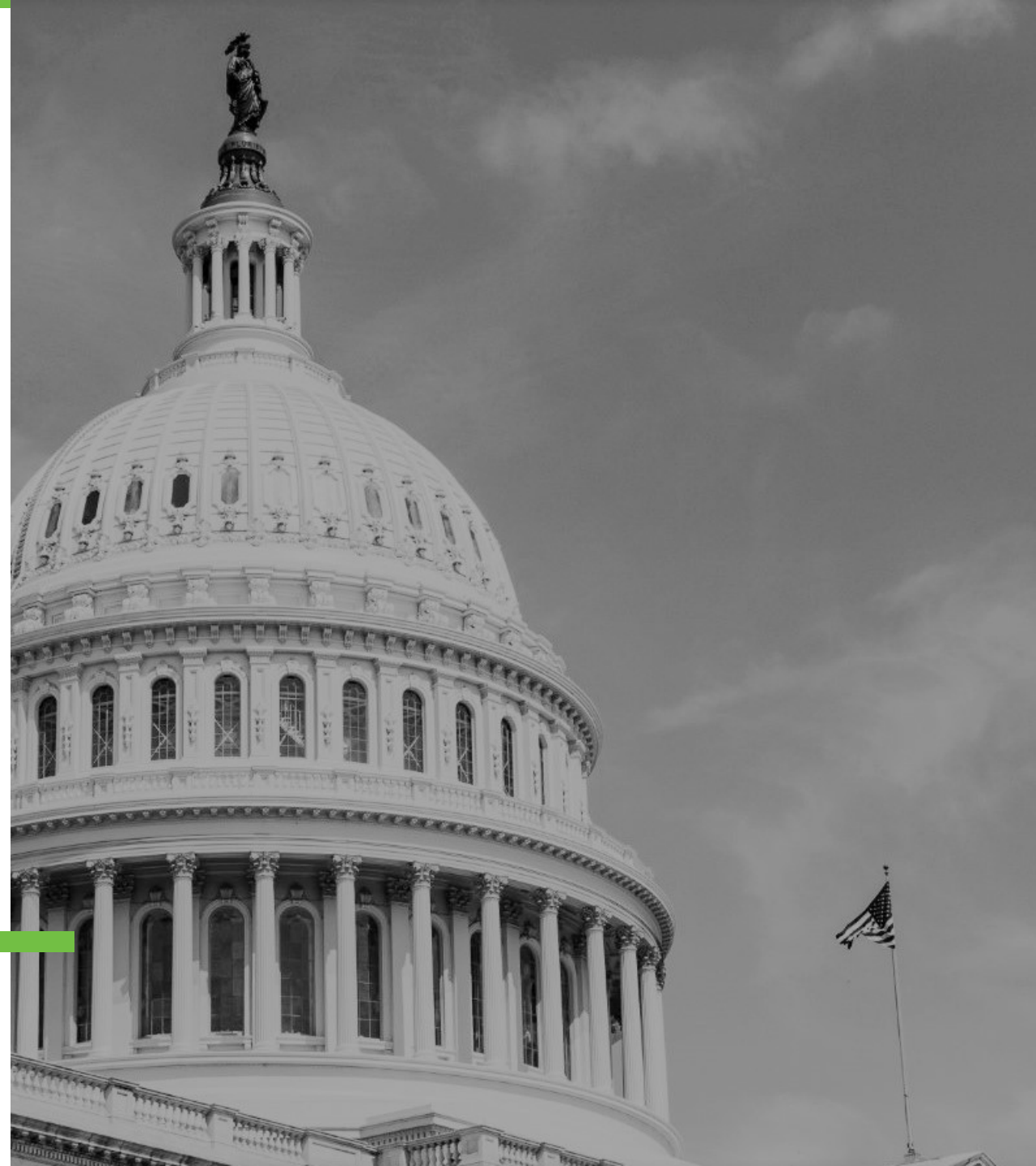




New COBRA Subsidy Rules under the American Rescue Plan Act of 2021(ARPA)

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Presenter



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Significant New COBRA Changes under the American Rescue Plan Act of 2021 (ARPA)

**100% COBRA
Subsidy**

**60 Day COBRA
Second Election
Opportunity**

**DOL Notice
Requirements**

The American Rescue Plan Act of 2021: New COBRA Rules

- Signed into law by President Biden on March 11, 2021.
- ARPA mandated significant COBRA changes for employers.
- Temporary 100% COBRA subsidy from April 1, 2021 – September 30, 2021.
- New 60 Day Second Election Enrollment Period for COBRA.
- New DOL Notice Requirements.

What is COBRA?

- COBRA provides temporary continued healthcare coverage to certain eligible employees and their spouses and children for a period of 18 months.
- COBRA coverage is triggered when employee experiences a “qualifying event” such as:
 - Termination, layoff
 - Divorce or legal separation from an eligible employee or
 - Dependent child is no longer eligible as a dependent under the healthcare plan.
- Cost of COBRA coverage is paid by the employee and not by the employer.
- COBRA coverage is expensive because now the individual is paying for the entire cost of healthcare coverage.
 - Employer usually pays a majority of the healthcare cost.

Employer Provided 100% COBRA Subsidy

- Effective April 1, 2021, employers are required to “advance” payment of 100% COBRA subsidy for eligible employees.
- Temporary 100% COBRA subsidy limited to only a 6-month period from April 1, 2021 – September 30, 2021.
- Applies to an assistance eligible individual (AEI)
- Employers will be reimbursed by the government through a refundable tax credit.
- Additional DOL and IRS guidance are anticipated to clarify on how to implement these new COBRA rules.

Who is Eligible for the 100% COBRA Subsidy?

- **Assistance Eligible Individual (AEI)**
 - An employee who is involuntarily terminated (i.e., fired) or experienced a reduction in hours (i.e., furlough or layoff) and elected COBRA coverage.
 - Includes spouses and children (i.e., dependents) of employees in this group.
 - Includes employees who were involuntarily terminated or laid off and currently have COBRA coverage.
- **Following are not eligible for COBRA subsidy:**
 - Employee who voluntarily terminated or resigned (i.e., quit).
 - Employee who retired.
 - Employee who was fired due to gross misconduct.
 - Employee who is eligible for health care coverage under another group plan.
 - Employee who is eligible for Medicare coverage.

New 60 Day COBRA Second Election Opportunity: What Does This Mean?

- New 60-day enrollment for second election opportunity to elect COBRA (i.e., Second Chance at COBRA).
- Begins on April 1, 2021 and ends 60 days after individual receives notice (New COBRA Notice) of this second chance to elect COBRA coverage.
- Upon receiving New COBRA Notice, individual can only elect coverage effective April 1, 2021, on a going forward basis.
- Second election does not allow individual to elect COBRA coverage before April 1, 2021.
- Reaches back to employees who experienced COBRA qualifying events that occurred on or after November 1, 2019.
- Purpose is to give these eligible individuals a Second Chance at COBRA coverage
 - Benefit from 6-month 100% COBRA subsidy from April 1, 2021 – September 30, 2021.

Who is eligible for New 60 Day COBRA Second Election Opportunity?

- Prior employees who did not have a COBRA election in effect on April 1, 2021,
- Assistance Eligible Individuals (i.e., fired or laid off) and did not have a COBRA election in effect on April 1, 2021 and
- Prior employees who previously elected COBRA coverage but let COBRA lapse or did not ever elect COBRA.
- Reaches back to November 1, 2019 for former employees who were eligible for COBRA.

How long is the COBRA coverage period under these new ARPA rules?

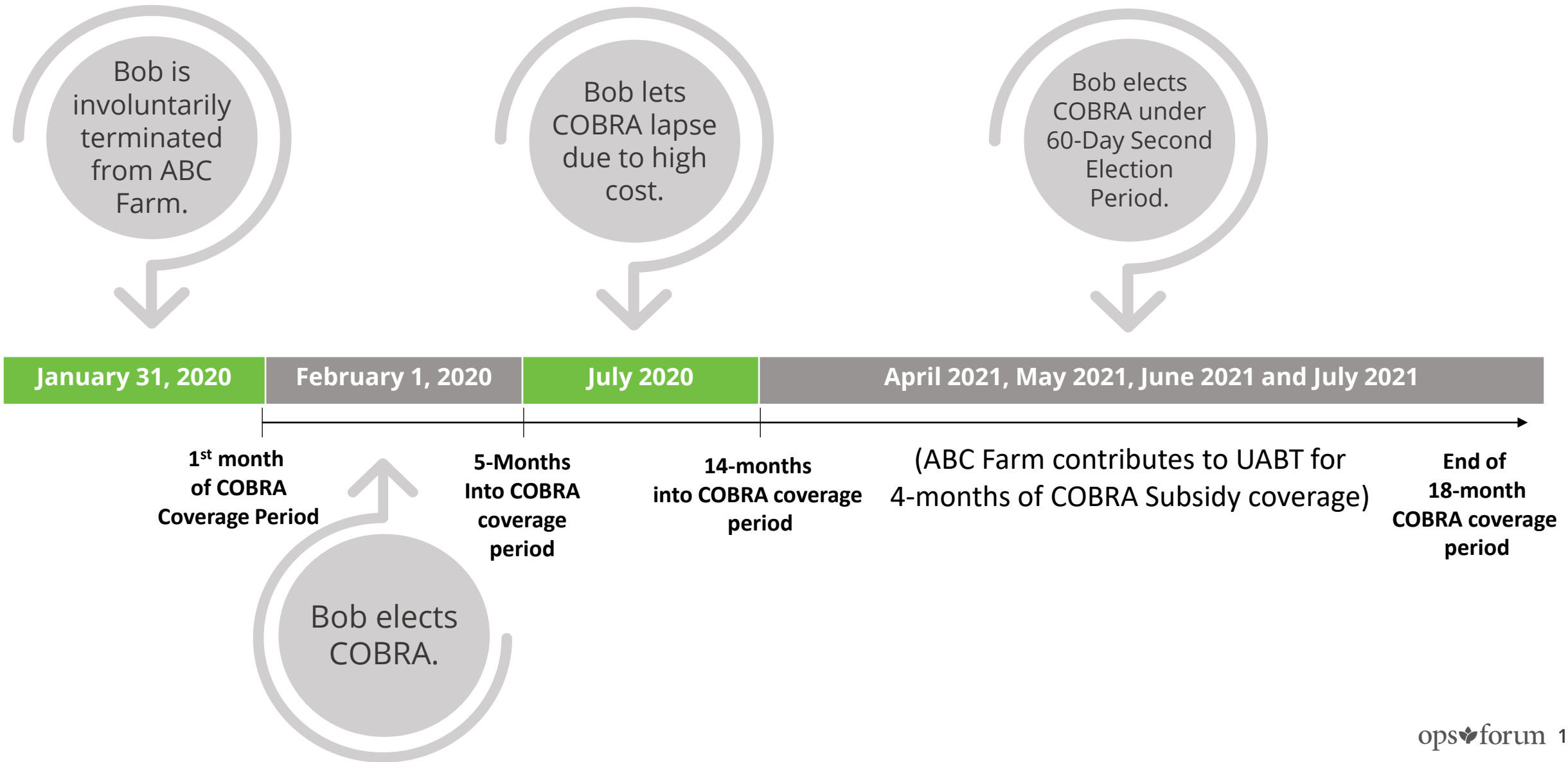
- Original 18-month COBRA coverage period is not extended.
- New 60-day special second election period does not extend the regular 18-month COBRA coverage period.
 - Significant for AEIs after November 1, 2019 who first elected COBRA but then let it lapse.
 - Coverage for these AEIs will **not be** extended past the original 18-month COBRA coverage period.
 - Possibility that an AEI may only be eligible to receive a few months of 100% COBRA subsidy.

Example: AEI Receives Only a Few Months of COBRA Subsidy



- Bob from ABC Farm was involuntarily terminated on January 31, 2020.
- He qualifies as an AEI.
- Bob elected COBRA beginning February 1, 2020 but lets it lapse in July 2020 (5 months later) since it was too expensive.
- He elects COBRA coverage for the second time in April 2021 under the new 60-day second election period.
 - Bob is still unemployed and not eligible for Medicare.
- ABC Farm must pay for Bob's COBRA contributions to UABT from April 2021 – July 2021 (4 months).
- July 2021 is the last month of Bob's original 18-month COBRA coverage.

Example: AEI Receives Only a Few Months of COBRA Subsidy

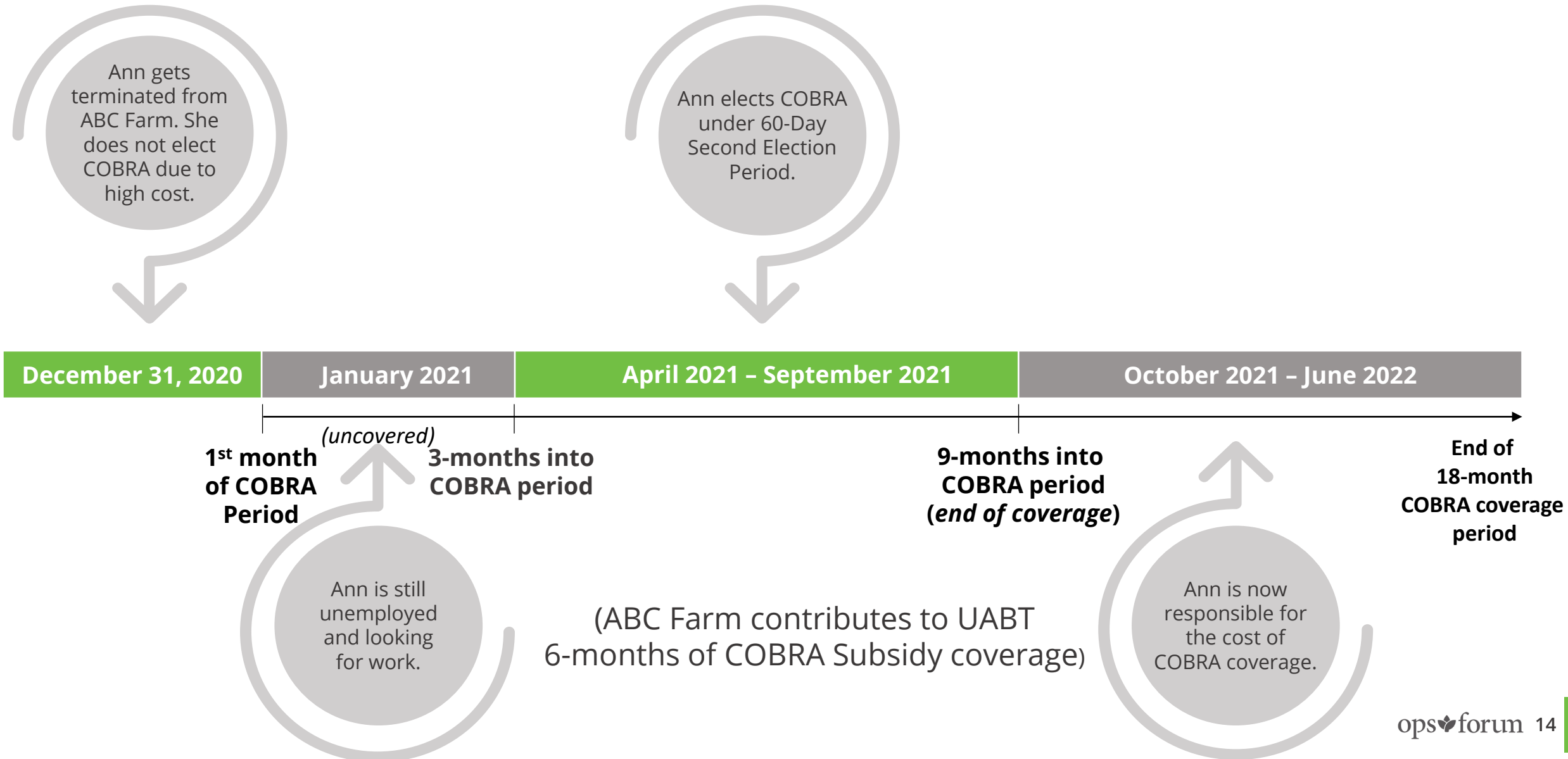


Example: AEI Receives Full 6-Months of COBRA Subsidy



- Ann from ABC Farm was involuntarily terminated on December 31, 2020.
- She did not elect COBRA because it was too expensive.
- January 2021, she is still unemployed and looking for a new job.
- In April 2021, she elects COBRA coverage during the new 60-day special second election period.
- ABC Farm must pay for Ann's COBRA contributions to UABT from April 2021 – September 2021.
- Beginning in October 2021, Ann must pay for her COBRA coverage by making contributions to the UABT if she wants to continue her COBRA coverage.

Example: AEI Receives Full 6-months of COBRA Subsidy





New COBRA Notice Requirements: 60-Day Second Election



By May 31, 2021, employers required to provide notice to all eligible individuals of new COBRA ARPA changes:

- 100% COBRA Subsidy from April 1, 2021 – September 30, 2021
- New 60-day second chance to elect COBRA



DOL mandated to publish a model notice by on or about April 12, 2021.



UABT will provide this new COBRA Notice to all applicable employees:

- Current active COBRA members
- Members who were terminated as of November 1, 2019



New COBRA Notice Requirements: Subsidy Termination Notice



- Employers must provide subsidy termination notice AEIs.
- Notice must be provided within a 30-day time period at least 15 days before but no more than 45 days before the COBRA subsidy period ends.
- UABT will provide this notice on behalf of employer group members.
- Government agencies are required to issue this model notice within the next 2 months.

How Can Employers Get Refunded for COBRA Subsidy?

- Employers will receive a refundable Medicare payroll tax credit against quarterly Medicare hospital insurance taxes.
- Form 941 Employer's Quarterly Federal Tax Return filed with IRS.
- Payroll tax credit only applies to COBRA contributions made on behalf of an AEI.
- Credit is refundable if the credit exceeds the amount of payroll taxes due.
- Employers will be eligible for the full value of the credit
 - Even if an employer's Medicare tax obligation is less than the value of the credit.
 - Also, this payroll tax credit will be advanceable.
- IRS will provide more guidance on Form 941 reporting.

What Should Employers Expect from UABT?

- Beginning April 2021, UABT will invoice employers for COBRA subsidy contributions.
 - Current active COBRA members who qualify as AElS (i.e., involuntarily terminated or laid off).

What Should Employers Do?

- Identify former employees who qualify as assistance eligible individuals.
- Identify assistance eligible individuals since November 1, 2019.
- Keep track of employees who are involuntarily terminated and or laid off (i.e., AElS).



Questions?

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