

The American Rescue Plan Act of 2021 (the “Act”), which was signed into law on March 11th, fully subsidizes the COBRA premiums (or the state Mini-Cobra law premiums if applicable) of “Assistance Eligible Individuals” and their dependents from April 1, 2021 through and including September 30, 2021 (the “Six Month Subsidy Period”). Assistance Eligible Individuals are those employees who are/were involuntarily terminated, or who experience(d) an involuntary reduction of hours which constitutes a COBRA (or “Mini-Cobra”) qualifying event:

1. During the Six Month Subsidy Period; or
2. Prior to the Six Month Subsidy Period and who (a) have elected continuing coverage which extends into the Six Month Subsidy Period, (b) have not elected continuing coverage, but would have a period of remaining continuing coverage which extends into the Six Month Subsidy Period if they had done so, or (c) elected continuing coverage and allowed it to lapse, but would have a period of remaining continuing coverage if they had not allowed it to lapse.

With some exceptions, employers are generally required to advance the cost of the subsidy and are then reimbursed for such cost by a credit applied to its quarterly Medicare payroll tax.

The Act also requires employers to provide notice to Assistance Eligible Individuals of the availability of the subsidy. Notice requirements under the Act include the obligation to notify employees who were involuntarily terminated, or who experienced an involuntary termination of employment, prior to April 1st of their right to elect subsidized coverage by May 30, 2021. Further, the Act requires that notice be provided to an Assistance Eligible Individual at least 15 days prior to the date the subsidy will expire.

If your organization requires assistance in complying with these requirements, please contact Kieran M. Casey (kcasey@rjglaw.com, or 570-826-5667) or James P. Valentine (jvalentine@rjglaw.com, or 570-826-5667) to discuss how our team may be of assistance.