



Labor and Employment News Alert

December 30, 2009

President Obama Signs New Law Extending COBRA Subsidy

President Obama recently signed a new law extending eligibility for the federal COBRA premium subsidy established by the American Recovery and Reinvestment Act of 2009 (please see our [February 20, 2009 News Alert](#) for a summary of the original subsidy).

The three main components of the new law that employers should be aware of are (1) a two-month extension of the eligibility period for the COBRA subsidy; (2) a six-month extension of the period of time an eligible individual can receive the subsidy; and (3) a requirement that employers provide eligible individuals with notice of the changes. This new law is effective immediately.

- In regard to the extension, the new law extends the eligibility period for the COBRA premium subsidy for two months, from December 31, 2009 to February 28, 2010 for employees (and their dependents) who were involuntarily terminated between September 1, 2008 and, now, February 28, 2010.
 - Eligible individuals, including those whose subsidy period had expired or who are currently receiving the subsidy, are now able to receive the subsidy for a maximum of 15 months, up from nine months. Any individuals who kept their COBRA coverage after the expiration of the original nine-month subsidy period must be reimbursed, via refund or credit toward future COBRA premium payments, the difference between the amount they paid and the subsidized premium amount (35% of the premium). Also, eligible individuals who stopped paying their premium after the expiration of the original nine-month subsidy period and therefore lost their COBRA coverage, must be allowed to retroactively pay the subsidized COBRA premiums up to the new 15-month total.
 - Finally, any COBRA notices issued after December 19, 2009 (the effective date of the new law), must include information about the subsidy extension. In addition, the individuals who cancelled their COBRA coverage after expiration of the original nine-month subsidy period or are entitled to reimbursement, must receive notice that they may reinstate their earlier COBRA coverage by retroactively paying the subsidized premiums or will receive a credit or refund for premiums paid over the subsidized amount, respectively. Employers also must provide notice of the subsidy extension by February 17, 2010 to those who were eligible individuals or were terminated from employment on or after October 31, 2009. As with the original COBRA subsidy, the government is expected to develop model notices that employers may use.
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While this provides a brief summary of the new law, there are, of course, additional details. Please contact us if you have any questions.

The **Riddell Williams Labor and Employment Group** helps businesses comply with labor and employment laws and resolve disputes with employees. Our practice consists of four primary areas: counseling, litigation, training, and traditional labor law.

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