

COBRA subsidy eligibility extended through May 31, 2010

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On April 15, 2010, Congress passed and President Obama signed the Continuing Extension Act of 2010, which extends COBRA subsidy eligibility to employees involuntarily terminated through May 31, 2010. Prior extensions had included terminations through March 31. The extension means that employees involuntarily terminated between April 1 and May 31, 2010, will now be eligible for the COBRA subsidy.

Under the COBRA subsidy program, employers are required to cover 65 percent of the cost of health care continuation coverage for the first nine months after an employee is terminated. Employers are then reimbursed for that cost in the form of a federal payroll tax credit.

The House and Senate had been

negotiating the terms of a COBRA subsidy extension that would have lasted through the end of 2010, but Senate leadership came to the conclusion that those negotiations would not be completed by the end of April. For that reason, the Senate, with the concurrence of the House, went ahead with the extension through May 31, 2010, for now.

If you have questions about compliance with the Continuing Extension Act of 2010, including questions about proper notice of eligibility for the COBRA subsidy for employees terminated between the expiration of the prior extension and this latest extension, please contact David Ball at 614.462.1084 or dball@szd.com, or any member of the SZD Labor and Employment Practice Group.

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