

Law of the Workplace

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CLIENT ALERT

Federal COBRA Subsidy Now Applies to Small Employers in Connecticut

Under the recent federal American Recovery Reinvestment Act ("ARRA"), terminated employees eligible for COBRA may receive a premium assistance subsidy equal to 65% of the normal COBRA premium for continuation of group health insurance. The federal law applies only to employers with 20 or more employees.

Connecticut employers with fewer than 20 employees are subject to the state's "mini-COBRA" law, Conn. Gen. Stat. sec 38a-554. Last week Governor Rell signed legislation offering a similar premium subsidy to employees of those smaller employers.

For small employers, the biggest difference in the two laws is that under the mini-COBRA version, it is the group insurer who bears the initial cost of the subsidy, (subject to reimbursement in the form of a tax credit). Under federal COBRA, the employer pays the subsidy, and it then receives the credit.

Smaller employers, however, should still contact their group insurance providers to make sure that any eligible former employees receive notice that the subsidy is available. The insurers are responsible for providing such notice "in conjunction with their group policyholders." Employers who are proactive in contacting their insurers will help protect themselves from potential liability under this new provision.

This material is intended to provide you with information regarding a noteworthy legal development. It should not be regarded as a substitute for legal advice concerning specific situations in your operation. If you have any questions or would like additional information on this topic, please contact our Firm at (860) 727-8900 or www.siegeloconnor.com.

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