

# CLIENT ALERTS

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## IRS Clarifications on COBRA Subsidy Could Impact Group Health Plan Administration

7.29.2021

On March 11, 2021, President Biden signed into law the American Rescue Plan Act of 2021 (“ARPA”), designed primarily to provide financial relief to millions of Americans as a result of the ongoing COVID-19 pandemic. Within the ARPA, the Federal government provided for six months of fully-subsidized COBRA continuation coverage premium payments. We previously described the subsidy in a client alert on March 17, 2021: [resources-alerts-American-Rescue-Plan-Includes-Key-Employee-Benefit-Changes.html](#)

This week, the Internal Revenue Service (“IRS”) issued guidance that impacts the administration by group health plans of COBRA in two key areas:

1. Individuals eligible for the COBRA subsidy whose original 18-month COBRA continuation coverage period expires between April 1, 2021 and September 30, 2021 are eligible to continue to receive the COBRA subsidy if the individual is entitled to elect to extend their COBRA continuation coverage due to a disability determination, second qualifying event, or an extension under State mini-COBRA. The extended period of coverage must fall between April 1, 2021 and September 30, 2021, meaning the subsidy will only be provided during that time frame. The individual does not need to have notified the group health plan administrator or insurer of the intent to elect extended COBRA continuation coverage before the start of the period.
2. If an individual previously elected COBRA continuation coverage with the COBRA subsidy for dental-only or vision-only coverage, the individual will cease to be eligible for the COBRA subsidy if the individual becomes eligible to enroll in other disqualifying group health plan coverage or Medicare, regardless of whether the coverage provides dental or vision benefits.

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Group health plan administrators who self-administer COBRA benefits should update their internal procedures to account for the new IRS protocols. Those group health plan administrators who outsource COBRA administration should coordinate with their third party administrators to verify compliance.

Please contact the author of this alert or your Employee Benefits attorney at Butzel Long if you have any compliance questions regarding the COBRA subsidy.

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